

صباحنا من الامل

FINANCIAL TIMES

Private banking
A tradition under assault
Page 17

Not yet a tiger
Vietnam needs reform, not money
Page 18

Back to the future
Using the past to solve problems
Page 19

Russian saga
How Aviacor led the way
Page 3

World Business Newspaper TUESDAY FEBRUARY 7 1995

IMF delegates set to leave Moscow with no loan deal

An International Monetary Fund delegation is due to leave Moscow today without a final agreement on a \$6.5bn standby loan. Early agreement with the IMF is crucial for Moscow, which has built its 1995 budget on the assumption that it will get substantial western help. But although the latest round of talks failed to produce a deal, western diplomats and economists say there are still good prospects of an agreement in the next few weeks. Page 3

France makes start on Unisair sell-off
The French government invited applications for banks to advise on the sale of state-owned Unisair Sador, Europe's biggest steel producer. Industry observers foresee a sale later this year. Page 19

UK power sale price set
The British government set prices for the \$4bn (\$6.25bn) sale of its stakes in the country's two biggest power generators, National Power shares will be set at 170p and PowerGen shares at 185p. Page 18 and Lex; Joe Rogaly, Page 18; Editorial Comment, Page 17

Deutsche Telekom board member quits
German post and telecommunications minister Wolfgang Botsch (left) suffered embarrassment yesterday when Gerhard Pfeiffermann, one of his deputies, was forced to resign from the supervisory board of newly privatised Deutsche Telekom. The move came after several big German companies which hope to compete with Telekom complained that Mr Pfeiffermann could not simultaneously work on liberalising the country's telecoms and represent the state-owned monopoly concern. Page 18

Guru runs for top Tokyo post
Kenichi Ohmae, Japan's best-known management guru, is to contest the governorship of Tokyo, one of Japan's most powerful political jobs. Mr Ohmae is author of *The Borderless World* and former chairman of the Tokyo office of US management consultancy McKinsey. Page 18

Guilty plea in NY bomb plot
Siddiq Ibrahim Siddiq Ali, alleged mastermind of the plot to bomb the UN building and others in New York, pleaded guilty and read a statement implicating his alleged co-conspirators. Defence lawyers said they were considering whether to seek a mistrial. Page 8

Texas Instruments-Acer
The Taiwanese chip maker plans to invest \$1bn to build a memory chip plant using the advanced technology. Page 19

Russians claim advances
Russians said they crossed Grozny's important Sunzha River and claimed to have gained ground in the south-east of the Chechen capital.

Norwegian royal jewels stolen
A diamond tiara and other jewellery belonging to Queen Sonja of Norway were among items stolen from the London shop of jeweller Garrards in a weekend robbery that netted goods worth \$250,000 (\$393,900).

McDonnell Douglas may halt MD-11 lines
US aircraft manufacturer McDonnell Douglas may have to stop making its biggest aircraft, the 300-seat MD-11, for part of next year because of a shortage of orders. Page 22; Britain flies into flak, Page 2

Austria condemns racist incidents
Austria condemned the weekend killing of four gypsies and yesterday's wounding of another man in attacks described by police as racially motivated. The government said the attacks were attempts to destabilise democracy and damage Austria's image abroad.

Space encounter
The crews of Russia's Mir space station and the US shuttle Discovery, waved to each other in the first meeting of American and Russian spaceflights for 20 years. Discovery stopped 37ft from the Russian space station.

Praying for rains
Roman Catholic bishops from six rain-starved provinces of southern Spain ordered "collective prayer to plead for rain". Five years of minimal rainfall as reduced Andalusia's reservoirs to 10 per cent of capacity.

Fire service criticised
Fire deaths and losses in England and Wales could be halved if government policy on the fire service were reformed, according to the UK's Audit Commission. Page 12

Free flights for the jobless
French airline Air Liberté is to offer free seats to jobless people travelling to job interviews. The move is part of a pact with state-owned Air Inter, which has cut business class fares.

Clinton budget spares social services spending

Congress Republicans face battle over curb on cuts

By George Graham in Washington

US president Bill Clinton challenged the Republican-dominated Congress to a political fight yesterday with budget proposals that include limited spending cuts but preserve social security spending levels and offer the middle classes a tax break.

Leading congressional Republicans promptly retorted that Mr Clinton's 1996 budget "lacked courage" because it had scarcely touched social security entitlements. Those account for 48 per cent of total spending, a growing figure, and are blamed for the long-term deficit in the US.

Congressman John Kasich, chairman of the House of Representatives budget committee, said Mr Clinton had "shown no interest in doing the heavy lifting needed to eliminate our budget deficits".

Mr Clinton was confident that he had the right combination: "My budget cuts spending, cuts taxes, cuts the deficit and does not cut education, or social security, or Medicare. That is a good budget."

He sent a 1996 budget to Congress that would increase federal government spending by 4.8 per cent to \$1,612.1bn in the fiscal year starting on October 1. Under the Clinton budget proposal, the federal deficit would grow from \$192.5bn this year to \$198.7bn in 1996 and \$213.1bn in 1997, before stabilising around \$196bn in 1998-2000.

Congress will begin debating the budget outlines this week, and the proposals must be passed by mid April. More detailed spending proposals will be debated in 13 separate appropriations bills and are due to be finalised by the end of September.

Meanwhile, the Republicans have passed in the House and begun debate in the Senate on a constitutional amendment requiring a balanced budget by 2002, but have not yet produced their plans for reaching a zero deficit.

It is no accident that Mr Clinton's budget does not attempt to deal with entitlement spending. The administration is determined to leave it to the Republicans to propose cuts in the popular middle-class entitlement programmes of social security and Medicare, which are inevitable if the US is to reach a balanced budget. The Clinton administration has not supported that goal.

Spending cuts proposed by the administration to pay for tax cuts and spending increases and to bring down the deficit are focused on "discretionary" spending. They include \$26bn of savings from a sweeping reorganisation of the departments of Energy, Transportation and Housing and Urban Development, as well as \$7.3bn from privatising government energy agencies and stocks.

Ms Alice Rivlin, director of the Office of Management and Budget, said the administration's budget proposal would keep the deficit under control. She forecast that it would fall in proportion from 4.9 per cent of gross domestic product in 1992 to 2.1 per cent by the end of the decade.

The forecasts assume that the US economy will experience a "soft landing," with growth moderating to 2.4 per cent this year and remaining around 2.5 per cent in subsequent years. The administration projects that inflation will peak at a relatively low 3.2 per cent in the 1995-96 period and then fall.

The budget includes the tax cut proposal which Mr Clinton calls his "Middle-Class Bill of Rights", which would provide a \$500-a-child tax credit for families earning less than \$75,000 and other tax benefits for education, long-term care and retirement saving.

Clinton budget a manifesto to middle classes, Page 6



Polish president Lech Walesa at a news conference after he called for the resignation of prime minister Waldemar Pawlak and a major reshuffle of the present coalition government. Walesa accused Pawlak of incompetence and said his government was making little progress on reform. Page 2; Editorial Comment, Page 17

Rush to take profits hits commodity markets

By Kenneth Gooding and Robert Chote in London

Speculators around the world pulled their money out of commodities markets yesterday, sending prices of everything from copper to cocoa plunging.

Investment funds, mainly based in the US, have helped to drive up commodity prices sharply in the past 15 months. They have now decided to take some of their huge profits and move their money into reviving bond and equity markets.

"The investment funds seem to feel the party is over for metals and other commodities," said Mr Jim Leunon, analyst at Macquarie Equities, part of the Australian banking group.

He said the funds' decision to sell was triggered on Friday by employment statistics which indicated US economic growth was slowing. Recent increases in interest rates would hit two big metals users, the car and construction industries, by leading to slacker demand.

The funds set off a worldwide rush out of base metals. Prices fell in the Far East yesterday on the first trading day after the Lunar new year holiday, which set the tone when trading opened in London. But some bargain-hunting helped to steady prices on the London Metal Exchange. By the close some metals had made impressive rallies.

Many observers suggested that metals markets had been overheated for some time and needed

China and US agree on talks to avert trade war

By Tony Walker in Beijing and Nancy Durne in Washington

The US and China will return to the bargaining table next week in an attempt to avert a trade war over Beijing's failure to prevent copyright piracy.

With the US set to impose sanctions if an agreement is reached by February 28, the two sides yesterday agreed to meet on February 13 in Beijing to resume negotiations which stalled late last month.

Mr Mickey Kantor, the US trade representative, announced on Saturday the proposed punitive tariffs of 100 per cent on \$1.08bn of Chinese imports annually, the largest US action against a trade partner.

Beijing responded by threatening retaliation, including the suspension of negotiations on new car projects with US manufacturers, and 100 per cent tariffs on imports such as cigarettes and cosmetics.

Yesterday, however, Mr Kantor said he had received a letter from Mr Wu Yi, the Chinese trade minister, indicating Beijing's readiness to resume talks. "We are delighted and impressed by the rapid response of the Chinese," he said.

Mr Kantor said he expected the Chinese to come to the table prepared to address US concerns over the protection of intellectual property rights in fields including computer software, chemical and agricultural products, pharmaceuticals, trademarks, audiovisual works and books and periodicals.

He laid out three US goals, which suggest some softening of Washington's stance. The first is "effective immediate measures to curb piracy, including raids on major compact disc producers," though he did not demand the closure of 29 pirate factories in southern China.

Mr Kantor said the US wants "structural changes to improve intellectual property protection over time," which for the first time takes into consideration China's status as a developing country.

But Mr Kantor wants moves to create a border enforcement regime, institute a copyright verification system and improve access to courts for intellectual property disputes.

The final US demand is on market access for intellectual property-based products. At present, the Chinese government allows the distribution of 10 popular US films a year. The remainder of the US films circulating in China are smuggled in and copied.

Mr Kantor said there would be a 22-day grace period for negotiations. In previous Sino-US trade disputes involving threats of sanctions, the two sides have invariably reached an 11th-hour compromise.

Sino-US trade last year reached about \$50bn, heavily in China's favour.

In the first 10 months of the year Chinese exports to the US reached \$32.5bn, compared with imports from the US of \$7.8bn. The US is the third biggest investor in China after Hong Kong and Taiwan. US business had pledged about \$20bn in investment by the end of last year.

US producers of music products, films, computer software, books and magazines estimate that Chinese piracy is costing US business about \$1bn a year in lost revenue.

WTO warns on trade curbs, Page 10

NEC-Samsung link-up will produce chips for Europe

By Michio Nakamoto in Tokyo and Alan Cane in London

NEC, the Japanese electronics company, and Samsung of South Korea, the world's largest producer of semiconductor memory chips, will collaborate for the first time to produce memory chips for the European market.

The deal illustrates the growing interdependence of the world's large semiconductor manufacturers.

Two years ago, there was bitter rivalry between Japanese and Korean chipmakers in an over-supplied market. Today, with demand for semiconductor memory growing at 60 per cent a year, companies need to pool their resources to meet both a growing need for computer power, and for research and development.

NEC said the strengthening of ties with the Korean company would have long-term implications. The two have already agreed to exchange information on developing next-generation 256-megabit D-Rams - four times the capacity of the existing biggest chip - to reduce the burden of development costs. The European market for D-Rams of all sizes is likely to reach \$5bn this year.

The link-up, which will enable Samsung to avoid duties of 14 per cent on memory chips imported into the European Union, will provide both companies with extra supplies of scarce 4-megabit D-Rams, the present industry standard.

D-Rams, or dynamic read and write memory chips, are the basic building blocks of memory systems used in electronic equipment such as personal computers, telephone handsets and consumer goods, as well as in supercomputers and telecommunications switches.

NEC has agreed to supply Samsung with some 100,000 chips a month in the form of wafers - discs of silicon with the electronic circuits imprinted on them, ready to be sliced into individual chips. The wafers will be manufactured at NEC's wafer plant in Livingston, Scotland.

It is understood that Samsung, which has no full manufacturing facility in Europe, will process and assemble chips in Portugal, where it has been testing memory chips for its products. NEC said yesterday that it could eventually supply the Korean company with 16-megabit and 64-megabit D-Rams for processing and assembly - used at the cutting edge of technology.

Industry analysts said yesterday that the tariff saving was not likely to be an important element of the deal in the light of strong demand for D-Rams from a buoyant personal computer industry.

Samsung's plans to expand its memory business in Europe come a few weeks after reports that it is to establish a 10in wafer fabrication plant in the US to produce 16 and 64-megabit memory chips.

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STOCK MARKET INDICES			
New York Composite	5,953.02	(+4.38)	
Dow Jones Ind. Av.	3,953.02	(+4.38)	
NASDAQ Composite	776.73	(+4.67)	
Europe and Far East			
Japan	12,021.11	(-29.69)	
UK	2,080.88	(-31.70)	
FTSE 100	2,080.88	(-31.70)	
Germany	18,057.2	(+128.28)	

US LUNCHTIME RATES			
3-month T-bill	6%		
10-year T-bill	5.854%		
30-year T-bill	5.8%		
Libor	7.549%		

OTHER RATES			
3-month interest	6.17%	(same)	
10-year bond	5.8%	(59.1)	
10-year swap	5.83%	(59.2)	
10-year swap	5.83%	(59.3)	

NORTH SEA OIL (Argus)			
Brent 15-day (Mar)	\$17.05	(17.18)	

GOLD			
New York COMEX	\$376.3	(\$76.8)	
London	\$376.8	(\$75.9)	

STERLING			
London	1.58	(1.5849)	
DM	1.5255	(1.525)	
FRF	1.257	(1.257)	
SPY	1.257	(1.257)	
Y	98.275	(98.275)	

TOKYO			
DM	2.2362	(2.2364)	
DM	2.2362	(2.2364)	
Tokyo close	Y 88.55		

CONTENTS			
News	16	Arts Guide	15
European News	23	FT Focus	34
International News	8	FT World	28
Asia-Pacific News	17	Foreign Exchanges	28
American News	17	Gold Markets	27
World Trade News	17	Int. Cap. Mkt.	30
UK News	11.12	Int. Companies	20-25
Economic Indicators	16	Money Markets	29
Weather	15	Recent Issues	38
		Share Information	30-31
		Business	35-38

NEWS: EUROPE

Catalan leader seeks period of peace during Madrid's presidency of the EU

Pujol brokers Spanish political truce

By Tom Burns in Madrid

Spain's main political parties are exploring a tacit agreement to avoid early elections during Madrid's presidency of the European Union in the second half of this year.

Mr Jordi Pujol, the Catalan nationalist leader, who appears to be brokering the consensus, has served notice that he will back the minority Socialist government when Mr Felipe Gonzalez, the prime minister, opens a two-day state of the nation debate tomorrow but that he will not oppose a general election early next year.

Opinion polls suggest that election will see the conservative opposition Partido Popular (PP) replacing the Socialists as the largest political party.

The Catalan nationalists hold the key to Mr Gonzalez's stability. They make up for his party's shortfall in parliament and have ensured the safe passage of the last two budgets.

Mr Pujol's ideas on government support now and the possibility of elections next year – in theory Mr Gonzalez's term does not end until the summer of 1997 – were explained at a

Expert study urges policy change to reduce high unemployment rate

Sustained annual economic growth of 5 per cent and the creation of 400,000 jobs a year are needed to lower Spanish unemployment from 25 per cent today to 5 per cent a decade from now, argues a report published by the London-based Centre for Economic Policy Research.

The principal change in policy for demand would be to target monetary policy towards non-inflationary growth, away from the exchange rate, writes Martin Wolf. Two major changes are also recommended in policy for the supply side: elimination of most restrictions on the firing of workers; and moves towards company-level collective bargaining, combined with reactivation of national agreements during the transition to low unemployment.

The report was prepared by an international team, under the direction of

Olivier Blanchard of the Massachusetts Institute of Technology, Cambridge, Massachusetts, and Juan F. Jimeno of FEDEA, Madrid. Other authors include Nobel laureate Robert Solow of MIT, Edmund Nelland of Insee-Crest, Paris, Charles Bean of the London School of Economics and Dennis Snower of Birkbeck College, London.

The report's analytical basis is the argument that unemployed workers do not significantly affect the wage demands of those who are securely employed. The effect of unemployment on inflation is particularly weak in Spain: in the past inflation has started to accelerate when unemployment was as high as 16 per cent.

High costs of firing protect the security of employment, reducing the effects of unemployment upon them. The introduction of fixed-term employment

contracts may even have had perverse effects, by further insulating those with long-term job security.

The report denies that the level of unemployment benefits still needs to be altered. Equally, it argues that there is no longer a need to redistribute income away from labour towards capital. These facts should, it suggests, make it easier to achieve a social pact that would deliver low wage inflation in return for lower unemployment.

*Olivier Blanchard et al, *Spanish Unemployment: Is there a solution?* Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB (tel: 44177349110); Consejo Superior de Cuentas de Comercio, Industria y Navegación, C/ Claudio Collo, 19, 28001, Madrid, Spain (tel: 3413753450).

will be useful". Mr Pujol, premier since 1980, is likely to bring forward Catalan polls from the spring of 1996 to next autumn in order to avoid their coinciding with a nationwide vote.

Stressing that German federal elections had hampered the past EU presidency and that the French presidential elections were hampering the present one, he said it was important to have a "poll-free" Spanish presidency run by an experienced administration headed by Mr Gonzalez.

He said, however, that "pro-business economic policies", which he hopes Mr Gonzalez's government will adopt in the course of this year, could be insufficient to sharpen Spain's competitiveness and that a government prepared to take "unpopular measures" would be required.

Mr Pujol said he wanted to improve Mr Aznar's understanding of the "Catalan reality" but that there were areas of common ground on economic policy. "It is legitimate for Mr Aznar to hide his economic cards because if he is specific, he will lose votes."

Walesa wants reshuffle and new premier

By Christopher Bobinski in Warsaw

Poland's president Lech Walesa yesterday called for the resignation of prime minister Waldemar Pawlak and a reshuffle of the coalition government composed of the ex-communist Left Democratic Alliance (SLD) and Mr Pawlak's own Peasant party (PSL).

Mr Walesa accused Mr Pawlak of incompetence and said his government was making little progress in reforming the country. "Either you change the government and the ministers," he told leaders of the parties represented in parliament, "or I will take decisions. For the good of the country, so," he said.

This government finds itself standing permanently at a yellow light," he explained. He explained his delay in approving this year's budget was designed as a protest against the government's "fiscalism and the growing impoverishment of the population".

But at the same time an angry Mr Walesa appeared to withdraw his threat to dissolve parliament, assuring that he "would never do anything to break the constitution".

The statement came in response to a resolution by parliament at the weekend saying the president had no right to dissolve parliament and that he would be impeached if he attempted to do so.

Mr Walesa's demand for a reshuffle is backed by the SLD, its leader, Mr Alexander Kwasniewski, who currently holds

recent briefing in Barcelona that accounted for the clearest support to date of his mid-term political strategy. He was scheduled to put them to Mr José María Aznar, the PP leader, at a meeting in Madrid yesterday.

If the ideas are adopted by Mr Aznar, the political clashes

that have been brought on by a string of government scandals will to a large extent be curtailed and meting present-day Spain should ease. Mr Pujol termed the conservative leader as "the only viable alternative" to Mr Gonzalez and said the PP was "a guarantee that Spain is not like Italy, where the party

system has for the moment been destroyed". "Mr Gonzalez has a problem with the press, with the judiciary and with the markets, but he does not have problems with a parliamentary majority," Mr Pujol said. Although he believes the prime minister has been "hit in the wing" and

that the "Socialist trademark does not sell any more", he said the government was worth backing in part to ensure a successful EU presidency and in part to aid Spain's incipient economic recovery.

Once the EU presidency was over, however, "general elec-

Ministers reach agreement in principle on relations with Turkey

EU customs deal takes shape

By Lionel Barber in Brussels

European Union foreign ministers last night agreed in principle a deal which would lift Greece's veto on an EU-Turkey customs union in return for a timetable for Cyprus joining the European Union around the turn of the century.

The agreement is subject to approval by the governments of the 15 member states of the EU but Mr Alain Juppé, French foreign minister, was optimistic the deal would be sealed. The European initiative amounts to the most promising effort to break the deadlock over Cyprus which has existed since 1974 when the Turkish army invaded the island in response to a Greek Cypriot coup backed by Athens.

One of the driving forces is

concern about political and economic instability in Turkey, a Nato member which plays a crucial part in guarding the alliance's south-eastern flank against Iran, Iraq and Russia.

France, which holds the rotating EU presidency, has led in stressing Turkey's geo-strategic importance. But the UK, among others, is wary of explicitly breaking the understanding that EU accession for Cyprus cannot take place in the absence of a political settlement between Greek and Turkish communities.

A UK official said it was vital to maintain pressure on all parties to reach agreement on a bi-zonal federation in Cyprus leading to a reduction in the Turkish garrison in northern Cyprus. "We don't want to import the Cyprus problem into the EU," he said.

Belgium, Germany and Spain expressed disquiet about a French formula for compromise which offers to start accession negotiations with the Greek Cypriot government "no later than six months" after the conclusion of the 1996 intergovernmental conference to review the Maastricht treaty. "Taking into account the results of the conference", this is intended to ensure that the present members of the Union agree to institutional changes such as streamlined decision-making and reducing the size of the European Commission, before opening enlargement negotiations.

But Belgium is worried about opening expansion negotiations before all member states have ratified the new treaty – dubbed "Son of Maastricht" – which is likely to emerge from the IGC.

Germany, chief sponsor of enlargement to central and eastern Europe, has reservations about a fast track to membership for Cyprus ahead of the Czech republic and Slovenia, for example. Bonn also knows such an offer would require equal treatment for Malta, the most economically advanced candidate.

Greek ministers were last night consulting with Athens over the wording of the text which covers a Greek commitment to lift its 14-year-long veto on an Euzhion (2780m) financial aid package to Turkey. The customs union – which contains protection for EU agriculture and Turkey's industrial sector – is expected to be signed at an EU-Turkey meeting on March 7 and would take effect next year.

Brussels to defend Hualon aid

By Emma Tucker in Brussels

The European Commission says it is satisfied with the accuracy of evidence from the British authorities regarding a controversial decision to give \$31m (\$95m) aid to a Northern Ireland textiles plant, and will defend the grant on the basis of this information.

It faces a long fight in the European Court with EU textiles and clothing manufacturers which claim Brussels broke its own rules in approving the aid to Hualon, one of Taiwan's biggest industrial groups, last year.

They believe the \$157m plant will add capacity and threaten jobs in an already oversupplied sector. The Commission responds, on the basis of UK government evidence, that the plant – forecast to create 1,800 jobs – will make high volume, low quality products that will

not threaten existing producers. Presentation of the Commission's defence was delayed after doubts were raised about the evidence supplied by the British government. It has until March 1 to present its arguments. The doubts surfaced amid persistent allegations from the industry that Hualon intended to undercut existing manufacturers by producing high quality goods.

Mr Karel Van Miert, competition commissioner, wrote to the UK authorities at the end of last year demanding reassurances and clarification. He also asked them to confirm original submissions on how the plant would be legally structured in Belfast.

Last November, Mrs Jennifer D'Abo, a director of Northern Ireland's Industrial Development Board, resigned because the board, responsible for the Hualon project, failed to give her satisfactory information

about the legal and financial arrangements for the deal. Extra doubts about the project arose following disclosures of court proceedings against two Hualon executives in Taiwan over alleged share fraud.

A Commission official said yesterday: "Mr Van Miert got a commitment from the British government that all the information it supplied was right."

The case, when it finally comes before the court, is likely to take more than a year to produce a verdict in what is seen as one of the Commission's most controversial state aid cases.

Brussels approved the Belfast project on May 4 last year after a 10-month investigation. The decision was judged to have been politically influenced and officials conceded at the time that it would probably have been turned down if considered strictly on competition criteria.

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Britain flies into flak over FLA role

France is suspicious of the UK's intentions, writes Bernard Gray, Defence Correspondent



An artist's impression of the multi-nation FLA military transporter

If the British do not buy the FLA, there is no reason why they should make it. That was the robust view of Mr François Léotard, the French defence minister, last week.

The Future Large Aircraft, a proposed military transporter to rival the long-standing Hercules, has become the latest symbol of European co-operation and division.

Britain pulled out of the project in 1986, after becoming disillusioned with progress, leaving the French, German, Italian and Spanish governments as prime movers. Six years later it is proposing to rejoin in an attempt to preserve Britain's pre-eminent role in aircraft wing design within Europe. However, several continental countries are wary of UK involvement.

Mr Henri Conze, head of the French procurement agency, is as sceptical as Mr Léotard about the British commitment to the FLA, and equally forthright. "There will be consequences for the restructuring of the aerospace industry if the UK does not give some understanding [on FLA] in the 12 months to come," he told Les Echos newspaper.

This spite of French scepticism comes even though Britain decided in principle at the end of last year to rejoin the team designing the aircraft. Part of the concern comes because at the same time as Britain said it would rejoin the FLA programme, it also ordered 25 US-made Lockheed Hercules aircraft to replace half its ageing trans-

port fleet. To French eyes, that smacked of less than total commitment to the FLA.

Part of the concern also comes because the terms on which Britain might rejoin the FLA are unclear, and the rest is down to a wariness that "perfidious Albion" will run true to form.

In a routine visit to Paris last week, the British procurement minister, Mr Roger Freeman, went out of his way to reassure the French that the UK was serious about rejoining the project and to spell out the

terms which would have to be met. "We are not shilly-shallying or being vague," he said.

"The FLA will have to be managed as a commercial programme by the Airbus consortium, and its specification and price will have to be acceptable. If the conditions are met, Britain will rejoin the project this year, and the UK has a requirement for between 40 and 50 aircraft. In these respects, our position is no different to that of Germany or France," he added.

Behind the public posturing, both France and Germany are more than a little nettled because they suspect that the UK is using a traditional continental tactic of making a vague commitment to a large number of aircraft at an early stage to gain a strong position in the programme, only to scale back its real requirements later on.

Britain's commitment to the FLA is certainly tentative. But, says Mr Freeman, that is only to be expected. The feasibility study outlining the aircraft's performance and cost will only

be available in the spring and at this stage, Britain is no more or less committed than anyone else. No country could sign a contract or commit money until it knew what it was buying.

Even if that is true, it does imply some tough negotiations ahead. And meanwhile, the public pressure for more precise British commitments may continue.

Probably the most difficult point to overcome will be designing a way to pay for the development phase. Continental countries will want to finance the project with traditional launch aid. Britain, having bought its Hercules aircraft, has little money in the budget to pay for development in advance. It is looking for commercial ways of including development costs in the purchase price. While that may be technically feasible, it may be hard to persuade other countries that the UK is not getting a free ride.

Airbus and its constituent companies, meanwhile, have an equally difficult task. Since they must bear much of the risk of developing the FLA, they have to price it competitively enough to attract governments, particularly Britain's, while at the same time not underpricing it and risking a large cost overrun which they would have to bear.

As McDonnell Douglas of the US found when it took on a similar bid with the C-17 transport, getting that calculation wrong can cause a billion dollar hole in the pocket.

EUROPEAN NEWS DIGEST

Italy's Northern League may split

Italy's Northern League will divide into two parties after its national congress next weekend, according to Mr Roberto Maroni, the former interior minister and the party's leading dissident.

In an interview published yesterday, Mr Maroni said he would leave the party if Mr Umberto Bossi, the League's founder and leader, won majority support at the congress, which begins in Milan on Friday. At the weekend, Mr Bossi claimed he would be happy to retire if congress approved a motion of no-confidence in his leadership. Mr Maroni is the League's second-in-command and was a close friend of Mr Bossi until his leader's decision before Christmas to withdraw support from Mr Silvio Berlusconi's right-wing coalition. The support from Mr Berlusconi's government but Mr Maroni rallied a minority of League deputies behind Mr Berlusconi. Mr Maroni said he thought "a good part of the League's electorate was fed up with Bossi's twisting and turning". He said the real hope for the party's future was to support Mr Berlusconi's Forza Italia and the extreme-right National Alliance – the combination which won the elections last March. *Andrew Hill, Milan*

Tapie suggests pact with Jospin

Mr Bernard Tapie, the French businessman-politician, indicated yesterday he was ready for an electoral deal rather than a duel with Mr Lionel Jospin, the newly nominated Socialist presidential candidate. In an interview with the *Libération* newspaper, Mr Tapie, whose centre-left Radical movement won a surprise 12 per cent of the vote in last year's European elections, said that whatever his personal differences with Mr Jospin, "our respective electorates are compatible" and "could be brought to vote together". Despite his earlier warnings that the Socialists would "pay dear" for any accommodation with Mr Tapie – who is embroiled in legal action to stave off bankruptcy – Mr Jospin promised in his nomination victory speech on Sunday to "show a minimum of political intelligence" in rallying the French left behind him. His need for Radical support was underlined by a Louis Harris poll yesterday that showed him in third place behind prime minister Edouard Balladur and Mr Jacques Chirac, the RPR Gaullist mayor of Paris. Only the top two in the first round of voting got through to the final round in May. Meanwhile, a book of Mr Balladur's speeches goes on sale today, ahead of the prime minister's first campaign press conference next Monday. *David Buchan, Paris*

Turkey to raise Azeri oil stake

Azerbaijan will sell Turkey a 5 per cent stake in the international consortium developing a \$7.6bn offshore oil project in the Caspian Sea. This will raise Turkey's stake in the consortium to 6.75 per cent. Mr Yusef Aksoy, Turkey's energy and natural resources minister, said yesterday. However, he added that the arrangement must still be ratified by the consortium's other shareholders, mainly western and Russian oil companies. If confirmed, the deal would be a foreign policy coup for Turkey, which has been trying to raise its shareholding ever since the consortium's formation late last year. Turkey wants to increase its influence in the former Soviet republics of the Caucasus and central Asia, which are predominantly Moslem and Turkic. Ankara was stung at the end of last year by Azerbaijan's decision to sell Iran a 5 per cent stake in exchange for financial and technical assistance. Azerbaijan originally held 50 per cent of the shares but will now hold only 10 per cent. The deal is still of huge significance to Azerbaijan after its civil and economic upheaval. *John Barham, Ankara*

Slovakia launches sell-off probe

Slovakia has launched a wide-ranging investigation into all previous privatisation deals, in a move likely to delay any further state sell-offs until at least the middle of this year. But privatisation ministry officials said companies chosen for a second round of voucher privatisations would be named within two weeks. The official Slovak news agency said Mr Peter Blask, privatisation minister, has suggested July 1 as the date by which sell-offs could be resumed, but uncertainty caused by the new investigation could lead to further delays. The newly elected government of prime minister Vladimir Meciar postponed a big sell-off of state companies under voucher privatisation when it assumed office in December. The news agency reported at the weekend that senior government figures had adopted a resolution "to evaluate the entire privatisation process in Slovakia with regard to compliance with valid legislation". The review would take three months, the agency said, and could result in "punitive measures" as well as new legislation governing future privatisation. *Vincent Boland, Prague and Reuters*

Swedish unions seek 9.5% rise

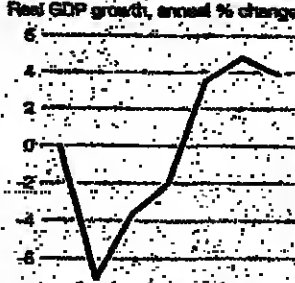
Sweden's powerful blue-collar trade union federation, the LO, yesterday made the first move in this year's important industrial wage round, saying member organisations would seek pay increases amounting to 9.5 per cent over two years in talks with employers due to get under way over the next few weeks. But three federation members, covering workers in the retail, transport and paper-making industries, refused to back the demand, raising the possibility that individual unions will push for higher settlements. The Social Democratic government and employers are calling for restraint, fearing inflation could be rekindled and a weak recovery from recession undermined. The Swedish Employers' Confederation has already said the LO demand was too high and a group of influential economists, chaired by Mr Per-Olof Edin, the LO's own chief economist, said at the weekend that annual average increases above 3.5 per cent could erode the competitive position of Swedish companies. Wage bargaining is still relatively centralised in Sweden, with sectoral unions and employers' organisations negotiating benchmark agreements for their industries. *Hugh Carnegie, Stockholm*

ECONOMIC WATCH

OECD warns Finns on welfare

Finland

Real GDP growth, annual % change



Source: Oxfam/Parade

Finland needs to make further cuts in its extensive welfare system if a strong economic recovery from deep recession is not to be undermined, the Organisation for Economic Co-operation and Development said yesterday. It said the changes would help to curb the country's rising government deficits and debt and bring down real long-term interest rates – currently among the highest in the OECD. They would also stimulate employment at a time when Finland's jobless rate stands at 18 per cent, one of the highest levels in Europe. At the same time, the OECD painted a picture of an economy in a buoyant recovery phase, after the trauma of the 1990-93 period when GDP collapsed by 15 per cent, the deepest slump any industrialised country has experienced since the second world war. It forecast average economic growth of 4.5 per cent a year in 1995 and 1996, after a rise of nearly 4 per cent last year. The Paris-based organisation believes the export-led recovery will become more broadly based as private consumption rises and business investment picks up. A jobless rate of 14.6 per cent is still forecast for next year – but this will help to keep down Finnish inflation, currently running at 2 per cent a year. But the OECD says its calculations may be upset by rising wages, particularly if big awards agreed in the export sector spill over into the rest of the economy. *Christopher Brown-Humes, Stockholm*

سکتا من الاصل

صوت من الداخل

Russian bankruptcy points the way to recovery

On the banks of the Volga, more than 1,000km from the Kremlin, one of the most important battles over Russia's economic future is being fought, and won. The battleground is Aviacor, one of Russia's largest producers of aircraft. At stake is whether Russian heavy industry, the heart of the old Soviet economy, can be forced to adapt to a market economy.

More than three years after Russia began to stumble down the road of market reforms, Aviacor is the clearest sign that reforms have actually begun to influence the heavy industrial plants that dominate the country's economy.

Six months ago, Aviacor, in the central Russian city of Samara, suffered from the wasting disease which has afflicted most of Russia's heavy industry. The factory, which produced fighter jets before the collapse of the Soviet Union and builds the Tupolev-154, one of Russia's most popular civilian aircraft, had been brought to a standstill by a Rbl55bn debt to banks and other factories. Like thousands of factories throughout Russia, Aviacor was not being paid by those who bought its products and was consequently unable to pay its suppliers or service its bank debt. Workers at the factory, a former state company priva-

Chrystia Freeland reports on the turnaround at the Aviacor aircraft company that may change thinking

tised through the voucher system nearly three years ago, had not been paid for months.

Last summer, thousands of factories in similar straits were bailed out by cheap government credits which have driven the rouble to historic lows against the dollar and pushed monthly inflation up to nearly 18 per cent. But Aviacor is the exception which, if it becomes the rule, could mean the resurrection of the Russian economy.

Last summer the Sredny Volzhsky Kommerchesky Bank, Aviacor's chief creditor, which was owed Rbl50bn roubles, petitioned the local civil court to declare the aircraft company bankrupt. On September 16, the court put Aviacor into receivership, making it the first case of bankruptcy at a factory of its size.

Less than five months later, the court's decision appears to have been Aviacor's salvation. Under new and rarely implemented Russian law, when a court declares a factory bankrupt it sets up a probationary period - of not more than 18 months - during which debts are frozen and a new management, appointed for the interim, can try to put the factory back on its feet.

The court and the bankruptcy commission appointed



Khasis: the tough young banker had spent his first day as boss firing everyone in management connected with Aviacor finances

Mr Lev Khasis, a 28-year-old banker with a degree in aviation engineering, to manage Aviacor for 12 months.

His first day on the job, Mr Khasis fired everyone in the old management with any connection to the company's finances.

"There was clear evidence of

corruption," Mr Khasis says. "The people at the bottom stole nuts and bolts, the people at the top stole hundreds of thousands of dollars."

Specifically, Mr Khasis suspects that the old management allowed purchasers to acquire at least five aircraft without paying for them in exchange

'There was clear evidence of corruption. The people at the bottom stole nuts and bolts, the people at the top stole hundreds of thousands of dollars,' said Lev Khasis, 28, court-appointed manager of Aviacor aircraft

for generous kickbacks. After replacing the old guard with a new team which included many leading young reformers, Mr Khasis set about transforming the factory itself.

As a sideline to building aircraft, Aviacor also ran 28 kindergartens, owned 1m sq m of housing, ran two holiday

homes for its employees and owned one of the largest sports stadiums in the city of Samara.

Mr Khasis unshackled the factory from this burdensome Soviet-era social infrastructure, which is often cited as one of the main obstacles to the restructuring of Russian industry, in one easy step: he gave Aviacor's social welfare facilities, and the costly responsibility of operating them, to the city of Samara. The new management streamlined operations further by hiring back only 9,000 of the 25,000 workers Aviacor had employed in its heyday.

Mr Khasis's next task was to restructure Aviacor's finances. The Sredny Volzhsky Kommerchesky Bank was willing to sell its debt at a 50 per cent discount. Mr Khasis took the bank up on the deal, using a \$15m loan, at the going rate of 20 per cent annual interest, he negotiated with his former employer, Avtozavbank.

But Aviacor needed more money to recommence work on the 25 nearly completed aircraft in the factory's idle workshops. So Mr Khasis held a fire-sale, disposing of five aircraft to a Siberian airline for the bargain basement price of \$20m.

Another remedy was the decision to barter aircraft for

electricity. Aviacor has already given one aircraft to its energy supplier and will pay off the rest of its energy bill this year with two or three more.

The initial injection of cash and the barter arrangement for energy were enough to get the factory back to work by the beginning of November. But, for the longer term, Mr Khasis realised that Aviacor needed to find a creative solution to the Russian aviation market.

"In the past, aircraft were sold like shoes - you paid for them in full upon delivery," Mr Khasis said. "But today, although there is a huge demand for aircraft, very few people have the money to pay for them up front."

Aviacor's answer is to lease many of its aircraft. The company requires a \$1m deposit, then charges a monthly \$100,000 over 10 years. This year, Aviacor has already leased nine aircraft on these terms, and plans to lease another 11. To finance this leasing scheme, Mr Khasis is negotiating a \$15m loan at 10 per cent over 10 years from a group of western investors.

These arrangements have allowed Aviacor to go back to work, but the company is still burdened with much of the debt accumulated by the old management and is looking for

fresh capital to finance the production of a new aircraft, the Antonov-70 transporter.

Mr Khasis, who says the rates offered by Russian banks are prohibitively high for manufacturers, hopes that a new share issue will solve both of Aviacor's remaining problems.

Later this year, Aviacor, 51 per cent of whose shares are owned by the workforce and the old management and 25.5 per cent by the state, plans to issue 150m new shares. Some 18m will be offered in current shareholders, who will get 30 new ones for every share they hold. Another tranche of shares is slated to go to Aviacor's old creditors, with whom Mr Khasis is negotiating debt for equity swaps. Mr Khasis is trying to sell the remaining shares for at least \$1 per share to western strategic investors.

Last summer Aviacor's shares were trading at six times their nominal value. They are now at about 20 times.

If all goes according to plan, by the beginning of next summer Mr Khasis hopes he will be appearing before the bankruptcy court to report that Aviacor has paid off its debts and in petition for its release from the probationary period ahead of schedule. That will make Mr Khasis, whose salary is linked to the amount of debt his factory repays, a wealthy man.

Moscow fails to agree loan deal with IMF

By Chrystia Freeland in Moscow

An International Monetary Fund delegation is due to leave Moscow today without a final agreement on a \$6.25bn standby loan, but Russian and western officials remained hopeful that a deal would be struck over the next few weeks.

Reaching an early accord with the IMF is crucial for the Russian government, which has constructed its already strained 1995 budget around the assumption that Russia will receive substantial western assistance.

With inflation reaching a 15-month high of nearly 18 per cent last month, the government has been hard pressed to raise money on domestic capital markets to finance its budget deficit. To attract buyers for treasury bills, the government was last week forced to offer yields of 320 per cent on three-month bonds.

The government's shaky grip over its budget deficit - forecast at 7.7 per cent of GNP by the ministry of finance but more than 10 per cent according to IMF calculations - could slip further without IMF money to help bridge the fiscal gap.

But western diplomats and economists said that despite Russia's failure to reach an agreement during this round of talks, the prospects were still good for a deal.

Ministry of finance officials denied reports in the Russian press that Mr Vladimir Pavlov, the minister of finance, had said he expected the IMF

to refuse to grant Russia a standby loan. Instead, they predicted that an agreement would be reached sooner rather than later.

Western diplomats and economists said that two principal sticking points remained between Russia and the IMF.

On the economic front, the IMF is not persuaded by Moscow's optimistic revenue forecasts. According to western diplomats, the IMF's economists calculate that the Russian budget contains a fiscal gap of some 4 per cent of GDP, which the IMF is expected to press Russia to plug either by raising more revenues or further squeezing expenditures.

The government's attempt to satisfy the IMF's austere fiscal requirements could be complicated by growing industrial unrest in the coal sector, which Moscow could be tempted to appease by issuing soft state credits. Miners, who were on strike at dozens of mines yesterday and have called for a nationwide coal strike tomorrow, are protesting because their wages have not been paid for several months.

Western officials said that the second obstacle is the lack of explicit, high-level political support for the stabilisation programme the IMF has been negotiating with officials from the generally reform-minded ministry of finance.

Moscow's failure to apply in practice its formal pledge to liberalise oil exports, a key IMF demand, has served as a warning about the gap between promises and implementation.

Austrian parties in budget deal

By Eric Frey in Vienna

Austria's two governing parties reached broad agreement yesterday on the 1995 budget. The accord averted a collapse of the coalition just four months after the last elections and is designed to keep the budget deficit below Sch100bn (\$9.3bn).

Originally, the 1995 shortfall was projected as high as Sch160bn, which would have well exceeded convergence criteria for monetary union in the Maastricht treaty. The impasse in the budget talks was broken on Sunday night when government representatives reached agreement with the public employees' union on pay and pension changes that should result in government savings of Sch3.5bn this year.

Moreover, the Social Democratic party (SPO) and the conservative People's party (OeVP) agreed modest cuts in welfare spending. The bulk of the funds needed to narrow the budget gap will come from an increase in petrol tax of Sch1.20 a litre, higher local taxes for companies and the receipts from privatisation.

The petrol tax increase alone should yield Sch10bn, and the

intended sale of government stakes in the country's two largest banks, Creditanstalt and Bank Austria, could net around Sch15bn. The deal will stave off a break-up of the coalition, which has been in constant crisis since both parties suffered heavy losses in the October 1994 elections.

At a joint press conference, Chancellor Franz Vranitzky, a Social Democrat, and his deputy, Mr Erhard Busek, from the OeVP, also cited the accord as a guarantee against any pressure on the schilling.

A Sch100bn budget deficit represents around 4.5 per cent of GDP. With the help of future savings, the shortfall is on track to shrink to 3 per cent of GDP by 1998.

The deal also shows that the system of social partnership, which is based on close co-operation of business, unions and government, is still working in Austria. After weeks of protests by various interest groups, the unions accepted some painful cuts.

Smoother negotiations was the fear that the coalition's collapse could bring to power the far-right Freedom party of Mr Jörg Haider, which has been making steady gains.

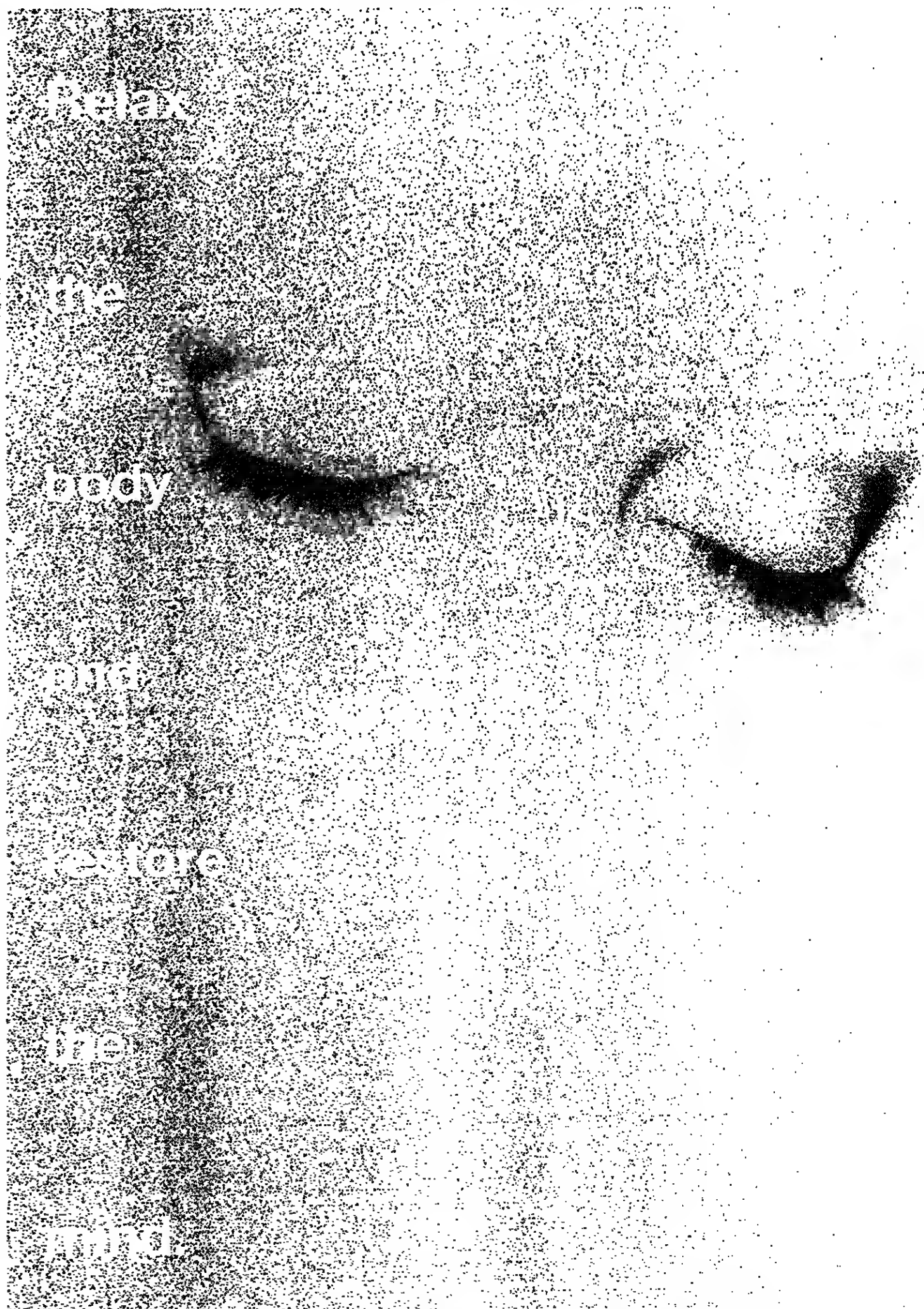


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NEWS: ASIA-PACIFIC

Indian bank warns on rash poll pledges

By Shiraz Sidwa in Bombay

India's central bank yesterday warned the country's state governments to initiate budgetary reforms and make more efficient use of resources to avoid being swamped by debt.

The Reserve Bank of India's remarks came on the eve of election campaigns in six Indian states for polls later this month and to March.

"It is a direct message to individual governments not to make populist poll promises that would contribute to the already alarming proportions of debt burden on the states," a bank official said.

In Andhra Pradesh, prime minister Narasimha Rao's home state, the regional Telugu Desam party defeated the ruling Congress (I) party in state elections last November with the promise of rice at only Rs2 (4 pence) a kilo instead of the normal Rs5-Rs10. Economists estimate the rice subsidy will swallow up a third of the state's revenues if the party

delivers on its promise.

In the southern state of Karnataka, the newly elected chief minister Mr H D Deve Gowda recently announced a waiver of interest on farm loans that will benefit 1.2m farmers.

In Maharashtra, which goes to the polls on February 9 and 12, the opposition Hindu Shakti Janata Party and its more militant allies, the Shiv Sena, are promising cheaper food for the poor, and to hold steady the prices of five essential commodities, including rice, for the next five years.

The ruling Congress party is under pressure to match these unprecedented poll promises, which could result in an increase in subsidies on grains, agriculture and energy. The World Bank has consistently warned India to ease out subsidies if the country's reform programme is to work.

The Reserve Bank of India has entered the election fray to warn states of a "further deterioration in fiscal imbalances" in the coming year. In its

monthly report the bank said increased costs could restrict infrastructure development.

The RBI said one of the most disturbing elements in state government finances was the frequent use of expensive loans to cover the increasing revenue deficits.

Bank officials said the combined outstanding domestic debt of the Indian state governments would rise to Rs1,822.2bn by next month from Rs1,588.5bn last year.

"Indian states have traditionally allocated to them, and looked to the central government to wipe out their deficits in times of crises," said an economist with the government's Finance Commission, which allocates resources to the states.

The RBI has called on state governments to improve tax collection, and to introduce measures to make public utilities more efficient. State governments pay for roads, electricity, schools, and subsidised food distribution.

Korean peace moves dogged by propaganda

By John Burton in Seoul

North Korea yesterday rejected a proposal by Seoul to open its borders to South Korean visitors in a further example of how efforts to promote dialogue remain bogged down in a propaganda war.

The issue of inter-Korean contacts has taken on increased urgency since the US warned recently that implementation of its nuclear agreement with North Korea could be delayed if Pyongyang refused to conduct political negotiations with South Korea.

In an attempt to revive the talks, which have been suspended for the past two years because of the nuclear dispute, Seoul last week proposed a high-level meeting with Pyongyang to discuss allowing South Korean citizens to visit North Korea.

Seoul said it would permit

South Korean families, separated from relatives in the North by the 1950-53 Korean war, to travel to Pyongyang to attend an international festival in April that North Korea hopes will attract 10,000 foreign visitors.

It also proposed an exchange of journalists and the easing of restrictions on South Korean business travel to the North.

North Korea rejected the offer in a commentary in the Rodong Shinmun, the newspaper of the ruling Korean Workers' party, describing it as a "discounting act".

Pyongyang seemed to see the offer as a pretext by Seoul to re-establish an official dialogue. This runs counter to North Korea's strategy of trying to isolate the Seoul government by promoting contacts with other sectors of South Korean society.

North Korea last month, for



Former South Korean opposition leader Kim Dae-jung yesterday welcomes Mikhail Gorbachev and his wife Raisa. Mr Gorbachev has offered to mediate to revive a planned Korean summit.

example, suggested that a "grand national conference" on unification be convened to celebrate the 50th anniversary of Korea's liberation from Japanese colonial rule. It sent invitations to non-governmental organisations and opposition politicians in South Korea.

South Korea has rejected the

proposal because it is outside the framework of existing inter-Korean agreements.

Meanwhile, Mr Mikhail Gorbachev, the former Soviet president, has offered to mediate to revive a planned summit between the leaders of the two Koreas that was postponed last summer because of the death

of North Korean president Kim Il-sung.

South Korean President Kim Young-sam has expressed optimism that a summit is still possible once Mr Kim Jong-il, son of the late president, formally takes power in North Korea, which many analysts believe will occur this spring.

Pedlars of the Japanese model to developing world

William Dawkins reports on Tokyo's aid officials with more regard for their alternative than free market orthodoxy

"Free market theory has failed in many areas like Russia, eastern Europe and sub-Saharan Africa because it is too short sighted and too market oriented. Not enough attention was paid to these countries' own economic and social structures."

This striking denunciation of the orthodox western approach to economic restructuring and development might not matter if it came from an abstract theorist. But it comes from someone deeply involved with aid policy in Japan, the world's largest donor - Mr Katsuhisa Yamada, the head of Japan's Institute of Developing Economies, a state agency which runs a school in Japanese industrial policy for aspiring Asian bureaucrats.

His message is one which the Japanese government is preaching to growing numbers of developing countries, mainly its Asian neighbours, who feel uneasy about trying to apply traditional free market advice from the World Bank and the International Monetary Fund. Japan's own experience suggests a different way, says Mr Yamada. "Japan started from a planned economy post war, to become gradually liberalised over the years. I would say we are now 80 per cent of the way to being a free market economy. In developing countries it should be more like 50 per cent. We are not saying that developing countries should imitate Japan. But they do

used to study an alternative to neo-classical economic theory."

Mr Yamada represents a powerful generation of bureaucrats who believe that Japan should shrug off some of its old diffidence and contribute ideas, not just cash, to others' economic development.

Another articulate advocate of an Asian alternative to western free markets is to be found at the ministry of finance, in the shape of Mr Eisuke Sakakibara, the forthright president of the institute of fiscal and monetary policy, another recently established training body for foreign officials.

Mr Sakakibara says the most important difference between the Asian and so-called "neo-classical" market economies is the balance between competitive use of direct and indirect funding. Businesses in pure free market economies raise most of their funds directly, from the equity or bond markets.

In Japan, banks provide most of the funds. It is easier for the government to influence lending than direct financing, where markets allocate cash irrespective of government policy, he says.

Another virtue of a strong savings-based banking system, rather than capital markets, is that it supports social and cultural traditions through local banks lending to local businesses, he argues. That is why, while "we have lost lots of our Japanese-ness, but compared to western countries we have

Japan's overseas development aid

Net disbursements by region, 1992



maintained some of our traditions," says Mr Sakakibara, well known in the Tokyo bureaucracy for his love of Japanese history.

"At the same time, Vietnam can modernise its economy without becoming Japanese or western, without losing completely its germane culture," he says.

This year, between 500 and 600 foreign government officials will attend courses in economic development run by the ministries of international trade and industry, finance, foreign affairs and the Bank of Japan. These numbers have roughly doubled over the past three years and officials say requests for advice are growing fast.

Scores of Japanese officials

will also leave Tokyo on secondment to developing country governments, or to swell the small ranks of Japanese staff on multilateral development agencies. Japan has started to tutor its neighbours partly in response to demand from them. But it is also less shy about spreading its message, emboldened by six years as the world's largest aid donor, more than \$10bn in 1995.

Japan's confidence in its mixed economy was strengthened further by a 1993 World Bank report admitting that state intervention can be useful. While Japan paid for the report, Tokyo officials point out proudly that they had no hand in writing it.

Officials stress that there is no plan to impose Japanese economic ideas. The aim, they say, is to leave pupils to draw their own conclusions from the main points in Japan's post-war economic development, including the state's use of post office savings to channel cheap funds through a panoply of specialised banks, into priority industries. To this is added the tradition of what one bureaucrat calls "people-ism" - the consensus that companies are for the benefit of employees and customers, with shareholders last.

And yet, there is a strategy behind the message. Most of Japan's economic advice comes from government bodies, rather than private sector universities. The countries eligible for free training at Mr Yamada's school, an offshoot of the ministry of international trade and industry, are targeted - all lucrative markets for Japanese goods.

While MITI spreads its industrial policy experience, the ministry of finance has for the past three years run courses for foreign officials on such subjects as relations between the state and banks, and financial reform. The biggest finance ministry trainee is China, for which the ministry set up a study group and annual seminar programme in 1993, part of a deepening in China-Japan relations which began at the time.

China's economic vice-premier, Mr Zhu Rongji has listened to the message from

Tokyo and shown interest in setting up an equivalent of Japan's fiscal investment and loan programme, under which post office savings are used to fund public works. He has also drawn up plans, in the past year, for specialised banks, for export finance, industrial development and agriculture, based on Japanese originals.

Japan has also warned Mr Zhu to go slow on plans for a Beijing stock market, in addition to the existing market in Shanghai. First, China should build up laws on bankruptcy, accounting and disclosure. Without these, a stock market would be a mere "gambling casino" the finance ministry's Mr Sakakibara advises. Share prices might rise sharply at first, but at the first sign of trouble, the bubble would burst, he argues. Cynics might point out that, on this subject, Japan speaks from recent experience.

The list of other finance ministry pupils is getting longer. They include Poland, which recently sent a mission to ask Japan's advice on training tax officials, plus Malaysia, Vietnam, India and Burma.

Tokyo's most experienced tutor of developing countries is the Bank of Japan, which has been giving "technical assistance" to its Asian neighbours for the past 30 years.

Mr Yoshihiko Noguchi, chief manager for central banking technical assistance, says there has been a surge in requests for advice on foreign exchange, the creation of financial institutions, monetary policy, and the operation of interbank money markets. The BOJ has put more than 800 foreign officials through its training courses in the past year, up from 150 in 1991.

In addition, more than 20 senior BOJ officials are now on secondment to the central banks of Russia, Vietnam and Kurdistan among others.

"They find it helpful to learn from our experience of relatively recent economic restructuring," says Mr Noguchi.

The bank stresses that unlike its more forward counterparts at MITI and the finance ministry, it does not advocate any particular economic model to its pupils. All the same, the BOJ's technical assistance is an important part of Japan's growing influence on developing countries' economic policies.

Japan is also less shy about spreading its message, emboldened by six years as the world's largest aid donor

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Philippines GNP rises by 5.1%

Growth in the Philippines' gross national product almost doubled last year to 5.1 per cent compared with 2.6 per cent in 1993. The upturn was led mainly by a 10.1 per cent rise in foreign investment and a 19.6 per cent surge in exports, according to figures from the National Economic and Development Authority.

Domestic output grew by 4.3 per cent from 2.1 per cent the previous year, fuelled mainly by a 17.4 per cent growth in the construction industry and an increase of 13.8 per cent in the utilities sector.

Inflation in January was 6.2 per cent compared with 9.1 per cent in January 1994. *Edward Luc, Manila*

Burma prisoners

Four more political prisoners were released in Burma yesterday, including two members of detained opposition leader Aung San Suu Kyi's National League for Democracy, the official Myanmar News Agency reported. *AP, Rangoon*

Thai reserves

Thailand's December 1994 foreign reserves of gold, special drawing rights and convertible currencies rose to \$30.28bn from \$29.74bn in November, the Bank of Thailand said. *Reuters, Bangkok*

EniChem Synthesis

Invitation to offer to purchase the assets and the business operating in the petrochemical catalysts sector

EniChem Synthesis SpA (entirely owned by EniChem SpA), registered with the Palermo Court, Companies' Registry no. 3130223/23, intends to receive and evaluate offers for the acquisition of the assets and business operating in the petrochemical catalysts (catalysts and cocatalysts) sector. Production is currently carried out at a plant in Sesto San Giovanni (Milan).

In 1994 the assets and the business to be sold achieved total sales of approximately Lit. 6 billion. The total workforce was 18 employees at December 31, 1994.

For the purposes of this transaction EniChem Synthesis SpA has engaged the services of Samuel Montagu & Co. Limited ("Samuel Montagu"), to whom interested parties should direct any enquiries. The relevant persons at Samuel Montagu can be contacted at the following address:

Samuel Montagu & Co. Limited

10 Lower Thames Street, London EC3R 6AE, England

Arnold Shipp, tel. (44-71) 2609466

Maurizio d'Andria, tel. (44-71) 2609448

Gioia Cantarelli, tel. (44-71) 2609137

Fax (44-71) 2609619

The present announcement is directed to limited liability companies which should register their interest in writing with Samuel Montagu no later than 16 February, 1995, by letter or fax, and notify for an information memorandum specifically prepared for the sale.

EniChem Synthesis SpA reserves the right, at its sole discretion and without assigning any reason, to refrain from providing the information memorandum to any interested party. The information memorandum will be sent after a confidentiality agreement has been validly signed by an officer or legal representative of the company and returned to Samuel Montagu no later than 24 February, 1995.

Together with the confidentiality agreement, interested parties must send a copy of their own financial statements of the last

three years, a description of their activities and of the industrial and economic rationale for the investment. Brokers or agents of any kind must disclose the identity of the company they represent.

This represents an invitation to offer but does not constitute a public offer as art. 1536 of the Italian Civil Code. Neither this invitation, nor the receipt of any offers by EniChem Synthesis SpA will create, with respect to EniChem Synthesis SpA, any obligation or commitment to sell to any bidder and, with respect to any bidder, any right to demand any performance whatsoever by EniChem Synthesis SpA (including, without limitation, the payment of any brokerage or advisory fees or expenses). EniChem Synthesis SpA also reserves the right to terminate at any time and without any reason or explanation whatsoever any and all discussions regarding the possible sale of the assets and the business.

Whilst every reasonable effort has been made to ensure that this announcement accurately reflects the Italian text of the announcement appearing in "Il Sole 24 Ore" and other Italian newspapers, on 7 February, 1995, in the event of any discrepancy the Italian text shall prevail.

This advertisement and the sale procedure are subject to Italian law. In case of controversy referred to the above, the Court of Milan (Italy) shall have sole jurisdiction.

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INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (ECU). The ECU exchange rate shows the number of national currency units per ECU. The nominal effective exchange rate is an index with 1995=100.

UNITED STATES					JAPAN					GERMANY								
	Exports	Trade balance	Current account	Real exchange rate	Effective exchange rate		Exports	Trade balance	Current account	Real exchange rate	Effective exchange rate		Exports	Trade balance	Current account	Real exchange rate	Effective exchange rate	
1995	279.9	-174.2	-104.5	0.7823	100.0	230.9	78.0	64.5	180.50	100.0	242.7	33.2	21.7	2,226.0	100.0			
1996	231.0	-140.5	-89.3	0.8636	90.2	211.1	96.2	67.0	185.11	124.4	248.5	53.4	40.3	2,127.9	106.8			
1997	220.2	-131.8	-88.4	1.1541	70.3	197.3	80.1	75.5	168.28	132.2	254.9	58.7	38.8	2,070.0	115.3			
1998	272.5	-100.2	-108.3	1.1833	69.0	218.8	90.7	66.7	161.51	147.3	272.8	61.6	42.9	2,070.0	114.6			
1999	330.2	-98.3	-231.9	1.1017	69.4	245.3	70.5	52.8	151.87	141.9	310.2	65.4	52.3	2,081.1	113.5			
2000	305.0	-79.9	-225.1	1.2745	65.1	220.0	60.1	28.3	183.94	125.0	324.4	61.8	36.9	2,033.7	119.1			
2001	340.5	-83.5	-257.0	1.2591	64.5	247.4	53.1	62.9	163.44	137.0	327.4	61.9	-15.7	2,040.0	117.7			
2002	345.9	-65.2	-284.7	1.2957	62.9	254.8	101.7	98.8	104.05	142.9	330.6	16.5	-17.0	2,015.7	121.2			
2003	397.3	-98.7	-298.6	1.1705	65.6	300.0	121.0	111.0	130.31	173.8	322.9	61.4	-16.7	1,933.7	124.7			
1st qtr 1994	106.8	-29.3	-28.7	1.1244	96.8	61.1	32.8	30.1	120.95	182.5	61.9	7.9	-5.9	1,937.0	122.4			
2nd qtr 1994	107.7	-32.7	-32.7	1.1245	95.8	61.7	31.8	28.7	119.84	187.1	69.7	11.2	-2.7	1,827.6	123.5			
3rd qtr 1994	107.7	-32.5	-34.1	1.2252	92.8	60.4	30.1	29.2	121.14	188.9	68.7	8.2	-13.4	1,808.8	126.0			
4th qtr 1994	106.8	-33.5	-34.1	1.2946	92.3				122.03	186.1				1,806.6	126.3			
January 1994	35.2	-9.7	n.a.	1.1139	67.5	27.1	11.9	11.2	124.03	177.0	25.8	8.1	-1.9	1,941.5	122.2			
February	34.1	-10.6	n.a.	1.1194	66.7	26.9	11.9	10.1	116.77	165.2	25.8	9.2	-3.3	1,859.7	121.5			
March	37.5	-8.4	n.a.	1.1410	68.1	27.2	10.2	8.8	120.04	185.3	26.8	1.2	-1.9	1,829.8	123.2			
April	36.5	-10.5	n.a.	1.1385	66.0	27.9	11.3	10.9	117.79	188.6	28.1	4.8	-0.8	1,839.6	122.8			
May	35.4	-11.1	n.a.	1.1822	65.3	26.1	8.9	7.9	120.67	188.2	30.2	3.0	-2.9	1,829.5	122.5			
June	36.8	-11.0	n.a.	1.1808	64.5	28.0	10.8	10.0	121.06	186.8	30.5	6.8	0.1	1,822.8	124.3			
July	36.5	-12.2	n.a.	1.2187	63.0	26.8	11.1	9.9	120.00	191.5	29.0	2.1	-7.0	1,911.7	123.7			
August	37.0	-10.5	n.a.	1.2188	62.1	26.9	8.2	7.8	121.25	186.7	30.5	4.0	-3.5	1,807.5	125.3			
September	36.1	-10.9	n.a.	1.2512	62.3	28.7	9.3	6.5	121.58	186.6	29.3	2.1	-2.8	1,907.3	126.1			
October	35.3	-11.0	n.a.	1.2544	61.5	25.4	8.0	6.4	123.44	188.2	31.3	3.5	-3.9	1,907.2	126.4			
November	36.8	-11.7	n.a.	1.2326	62.1	27.5	10.7	8.8	121.21	190.5				1,904.4	126.3			
December 1994			n.a.	1.2126	63.4				121.44	188.7				1,905.4	126.2			
FRANCE					ITALY					UNITED KINGDOM								
	Exports	Trade balance	Current account	Real exchange rate	Effective exchange rate		Exports	Trade balance	Current account	Real exchange rate	Effective exchange rate		Exports	Trade balance	Current account	Real exchange rate	Effective exchange rate	
1995	133.4	-3.7	-0.2	0.7942	100.0	103.7	-16.0	-5.4	144.30	100.0	132.4	-5.7	3.8	0.5890	100.0			
1996	127.7	0.1	0.4	0.8494	90.5	90.5	-20.5	-4.5	144.30	124.8	101.2	-12.3	-1.4	0.8076	91.5			
1997	129.3	-4.8	-3.7	0.9295	103.0	100.7	-7.5	-2.1	149.43	101.2	112.3	-18.1	-2.8	0.7943	95.0			
1998	141.9	-3.9	-3.4	1.0354	100.8	109.3	-8.9	-8.0	138.83	97.9	120.9	-82.3	-25.0	0.8493	95.0			
1999	162.9	8.8	-3.2	1.0169	98.3	135.9	-11.2	-17.0	150.32	96.8	157.0	-36.7	-33.5	0.6728	92.5			
2000	170.1	-7.2	-7.6	0.9392	104.8	135.8	-9.9	-16.0	130.06	100.6	160.6	-36.7	-36.7	0.7017	92.5			
2001	175.4	-4.2	-4.9	0.9943	102.7	137.0	-10.5	-17.7	151.91	98.9	147.7	-14.7	-11.7	0.7002	91.1			
2002	182.6	4.8	2.9	0.8420	108.0	187.9	-8.0	-20.8	189.15	95.7	145.9	-16.9	-13.4	0.7358	93.8			
2003	178.5	13.4	8.9	0.6951	106.3	144.3	17.9	9.5	183.67	73.5	156.1	-17.0	-14.4	0.7786	80.0			
1st qtr 1994	46.5	2.4	3.4	0.9881	108.0	37.5	3.4	1.1	182.28	76.2	42.8	-3.8	-1.9	0.7954	81.5			
2nd qtr 1994	46.9	5.7	3.2	0.9882	107.0	40.7	4.8	2.2	182.28	75.9	44.3	-0.7	-1.4	0.7716	81.0			
3rd qtr 1994	46.9	2.1	3.3	0.9382	110.0	38.0	6.2	1.4	190.62	74.0	44.3	-2.0	1.0	0.7791	81.0			
4th qtr 1994				0.6426	110.1													
January 1994	15.3	0.28	2.38	0.5996	107.9	10.2	0.1	-0.9	189.25	78.2	14.4	-1.2	n.a.	0.7456	82.4			
February	15.2	0.74	-0.59	0.6905	107.9	12.8	1.5	1.3	188.93	76.0	14.0	-1.1	n.a.	0.7557	81.5			
March	16.0	0.35	1.13	0.7473	108.3	14.5	1.4	0.5	187.69	75.9	14.5	-0.6	n.a.	0.7849	80.0			
April	15.8	1.19	0.54	0.8240	107.1	12.6	1.4	1.0	185.01	78.4	14.5	-0.8	n.a.	0.7849	80.0			
May	16.6	1.18	0.28	0.6972	107.9	13.7	1.9	0.9	182.92	78.2	14.0	-1.3	n.a.	0.7733	79.9			
June	16.5	0.98	-0.19	0.5988	109.8	14.0	1.7	0.9	180.05	77.1	14.4	-1.0	n.a.	0.7741	80.1			
July	16.0	0.98	1.17	0.6508	106.7	14.2	3.1	1.9	180.45	78.5	14.5	-0.7	n.a.	0.7681	79.2			
August	17.1	1.11	-0.04	0.6347	110.2	9.9	2.0	1.9	182.83	75.4	14.9	-0.8	n.a.	0.7681	79.2			
September	16.7	1.35	1.18	0.5293	110.3	14.0	1.1	-2.3	182.8	75.3	14.8	-0.7	n.a.	0.7687	79.3			
October	17.2	1.29	0.47	0.5291	109.0	13.8	1.9	0.4	194.29	74.9	14.9	-0.6	n.a.	0.7782	80.2			
November	17.2	1.05		0.5291	110.1	14.0	1.1		194.29	74.9	14.9	-0.6	n.a.	0.7782	80.2			
December 1994				0.5612	109.3				197.95	73.2				n.a.	0.7773	80.0		

صكنا من الامل

FINANCIAL TIMES TUESDAY FEBRUARY 7 1995 ★

We compared the new LS400 with the best luxury car in the world. It's better.



LS400 1994

The Lexus LS400, the best luxury car in the world, has been overtaken. By a car that's even quieter, more spacious and 10% lighter. A car that outperforms it, yet leads its class for economy. It's the first with front seat anti-roll suspension. And anti-dazzle mirrors. (After all, won't a 0-60 in 7.4 seconds car be ahead of most others?) The car? The 1995 Lexus LS400 with 1,700 refinements. Critics called the original Lexus 'near perfect'. Now we're nearer still. See your Lexus dealer to arrange a demonstration, or call us on 0800 343434.

 LEXUS

THE RELENTLESS PURSUIT OF PERFECTION

MODEL ILLUSTRATED LEXUS LS400 £44,475 INC. VAT BUT EXCLUSIVE OF DELIVERY CHARGE OF £450 (INC. VAT), NUMBER PLATES, ROAD FUND LICENCE. THIS EXCLUDES NORTHERN IRELAND. THE LEXUS INFORMATION SERVICE IS OPERATED ON BEHALF OF THE LEXUS DIVISION OF TOYOTA (GB) LIMITED.

NEWS: THE AMERICAS

Clinton budget a manifesto to middle classes

The White House proposal should be seen in light of any Republican alternatives, writes Michael Prowse

When the president's party does not control Congress, the White House budget proposal is as much a political manifesto as a serious blueprint for economic policy.

This is certainly true of the 1996 budget. President Bill Clinton's main goal is to convince voters that his proposal for tax cuts - the so-called "Middle Class Bill of Rights" - is superior to anything that congressional Republicans might propose in coming months. The deficit-cutting strategy once portrayed as the heart and soul of "Clintonomics" is discarded because it did not sell well with the electorate last November.

The budget presented yesterday might have appealed to Jeremy Bentham, the 18th century English philosopher. It does not quite advocate "the greatest happiness of the greatest number" but it does promise to "improve living standards for the greatest possible number of American families".

On the first page, voters are

Average household income

	Constant 1993 dollars by population band				
	Lowest 5%	Second 5%	Third 5%	Fourth 5%	Highest 5%
1993	\$7,411	\$18,647	\$31,280	\$48,572	\$86,598
1990	\$7,567	\$18,834	\$31,079	\$48,787	\$86,638
Growth 1990-93	-2.1%	-1.0%	0.6%	6.1%	33.8%

Source: Bureau of the Census

reminded that the fruits of economic growth in recent years have been distributed in a most unjust manner. Between 1980 and 1993, the household income of the top 5 per cent rose 34 per cent in real terms and the top fifth by 21 per cent. Everybody else did badly: the incomes of the bottom 20 per cent fell by 2 per cent after allowing for inflation.

The "bill of rights" is Mr Clinton's answer to what he perceives as the nation's most serious economic problem: stagnant or falling incomes for the bottom 60 per cent of the population. It consists of:

- A \$600 tax credit for each child under the age of 13.
- A tax deduction worth up to

\$10,000 for post-secondary academic or vocational tuition.

- Extended tax relief for saving through Individual Retirement Accounts (IRAs).
- Skill grants for low-income workers, the unemployed and adults who need retraining.

The package would cost \$63bn over five years, or nearly 1 per cent of gross domestic product. And it is carefully designed so that only deserving middle and low income groups would benefit. The child tax credits, for example, are phased out at incomes of between \$60,000 and \$70,000 a year while families earning more than \$100,000 would not benefit from more generous IRAs. The White House esti-

mates that families on less than \$100,000 would receive 87 per cent of the overall tax relief, more than 50 per cent would go to families with incomes between \$30,000 and \$75,000 - the quintessential middle class.

Mr Clinton argues that Republicans want to cut taxes mainly to help upper-income groups. His bill of rights is different because it would ease the burden of child-rearing while encouraging the kind of behaviour required if middle-income families are to become more prosperous: more saving, longer years of study and additional skill training.

Were it to be enacted (which it will not be in its current form, because Republicans control the congressional legislative machinery), Mr Clinton's tax cuts might have provided marginal benefits. But it is unlikely that fiscal tinkering would counter a two-decade old trend toward more unequal pre-tax incomes - a trend that many economists now attribute to technological change.

And by seeking to use the tax code as a tool for social engineering, Mr Clinton has broken with the enlightened bipartisan consensus on tax policy established in the 1986 tax reform act.

The problem with reverting to the old policy of using the tax code to promote good causes is that fiscal relief tends to outlive its usefulness: mortgage interest and healthcare deductions, which are no longer justified, currently cost the US Treasury about \$110bn a year.

The larger objection to the bill of rights is that it would do less for the "forgotten middle classes" than the previous strategy of cutting the deficit. This would have raised the national savings rate and, probably, the rate of growth of productivity, with benefits for workers at all income levels.

Mr Clinton admittedly achieved much less on the deficit front than he likes to claim: the structural budget deficit has fallen by only about 0.5 per cent of gross domestic product

Economic assumptions (calendar years)

	Actual 1993	1994	Projections 1995	1996	1997
GDP	6,243	6,735	7,117	7,507	7,921
Billions of current dollars					
Annual % change	3.1%	3.8%	2.4%	2.5%	2.5%
Consumer price index	3.0%	2.8%	3.1%	3.2%	3.2%
Annual % change					
Civilian unemployment rate	6.7%	6.1%	5.8%	5.9%	5.8%
Average annual %					
Interest rates, %					
30-day Treasury bill	3.0%	4.2%	5.9%	5.5%	5.5%
10-year Treasury note	5.9%	7.1%	7.9%	7.2%	7.0%

Source: Office of Management and Budget

since he was elected - to about 2.5 per cent of national income. The reason for this slow progress is that the Clinton administration has taken no action to curb growth of the big "entitlement" programmes such as Medicare (healthcare for the elderly) and raised taxes only on 1.2 per cent of wealthy families.

But most economists would agree that slow progress on the deficit is better than throwing in the towel. The budget presented yesterday projects annual federal deficits of \$200bn as far as the eye can see. Mr Clinton has handed Republicans the politically unpalatable task of proposing a responsible fiscal policy.

Venezuela finance minister resigns

The Venezuelan government announced yesterday that Mr Julio Sosa Rodriguez, finance minister and one of the key figures in President Rafael Caldera's cabinet, had resigned, writes Joseph Mann in Caracas.

Mr Luis Raúl Matos Azócar, a minister of state and co-ordinator of the government's foreign exchange control board, will take over the finance post, according to the government statement.

Mr Sosa is expected to stay in cabinet as minister of state for international economic affairs. This suggests he will spend much time abroad on issues such as public and private sector external debt, and perhaps trade.

The new minister was planning minister for President Jaime Lusinchi, in office from 1984-89. He lacks Mr Sosa's extensive business experience but is known to share President Caldera's concern that any economic reforms and growth must be accompanied by progress in social welfare. Also like the president, Mr Matos rejects the free market orientation of the previous administration.

Mexican debt to increase

Mexico's foreign debt will increase by approximately \$17bn (\$10.7bn) over the next year, to nearly \$103bn, as the country attempts to replace domestically issued obligations with longer-term securities, reports Ted Bardacke in Mexico City.

According to figures from the Mexican finance ministry, during 1995 Mexico's total public debt will remain the same at \$116.9bn. But the composition of that debt will change radically, with internal short-term dollar-linked debt, principally tesobonos, being converted into dollar-denominated external debt with maturities of five to 10 years.

The ministry said that US loan guarantees, forming part of a \$50bn international support package, would be used to back five to 10-year government securities denominated in dollars. The money raised via this new paper would pay off holders of tesobonos and other short-term instruments.

An additional voluntary swap mechanism for holders of tesobonos is still under study, as is whether new tesobonos will continue to be issued once the substitution plan is implemented. About \$23bn in tesobonos, \$16bn of that held by foreigners, comes due this year.

The substitution plan, together with December's devaluation, will increase Mexico's overall foreign debt - from 36.5 per cent of GDP in 1994 to 64 per cent in 1995. But the finance ministry said that foreign debt was cheaper at the moment and less risky than internal debt.

Congress challenged to cut deep

By Jurek Martin, US Editor, in Washington.

The US government operates on the principle that the president proposes and Congress disposes. That is true of most matters, foreign policy sometimes excepted, but it applies in spades to the federal budget.

Rarely does Congress buy into the president's budget proposals lock, stock and barrel. Some have been influential in changing national policy - such as President Ronald Reagan's first two tax-cutting budgets and President Bill Clinton's \$500bn deficit reduction budget of 1993, which ultimately passed in recognisable form by a single vote in both houses. Many have been considered "dead on arrival" in Capitol Hill.

At first sight, there is no chance that the edition unveiled yesterday will emerge relatively unscathed, for the simple reason that the Republican Congress is intent on cutting spending and taxes more deeply than the president. Mr Clinton's budget may serve as a reference marker for whatever Congress ultimately decides, but beyond that its fate is uncertain.

Yet, in an odd political irony, the House of Representatives, egged on by Congressman Newt Gingrich, its Speaker, was yesterday giving itself to approve giving the president more, not less, budgetary authority in the shape of the line item veto. This would enable him to strike out offending items of spending, most obviously "pork barrel" projects, without sending a whole bill back to Congress unsigned.

The Republicans also want an amendment to the US constitution that would require a balanced budget by the year 2002. This has already passed the House but faces an uncertain future in the Senate, where Democrats are continuing to demand that Republicans specify precisely what spending cuts would be necessary to achieve that goal.

But, assuming the more modest line item veto passes the Senate as well as the House, it will be months before Mr Clinton will be in a position to exercise his new-found power, which he has argued for almost as vehemently as the Republicans.

This is because the budget approval process is protracted. Congress must come up with no less than 13 agreed budgetary appropriations bills by September 30, the day before the next fiscal year starts. It is not unknown for that deadline to become very real.

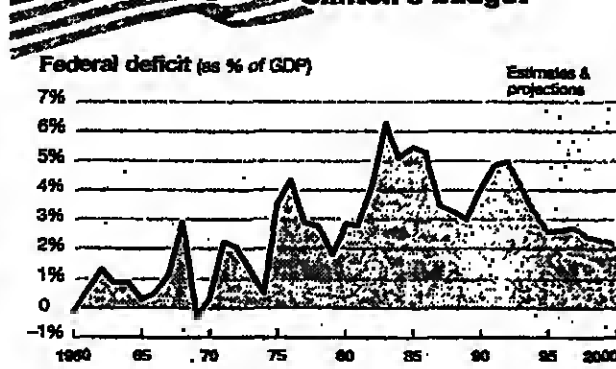
Complicating matters this year is the determination of Mr Gingrich to have introduced - and hopefully passed - within 100 working days legislation on the ten broad subdivisions in the "Contract with America". All of them - ranging from taxation through crime and defence to external assistance - have budgetary implications.

The scale of the Republican ambitions dwarfs the numbers in the president's budget. Yet there is no hard evidence that the Republicans, any more than the president, are yet willing to take on the sacrosanct "entitlement" programmes - social security, Medicare and Medicaid. Such direct payments to individual Americans now comprise 48 per cent of government budgetary outlays, three times as much as is devoted to national defence.

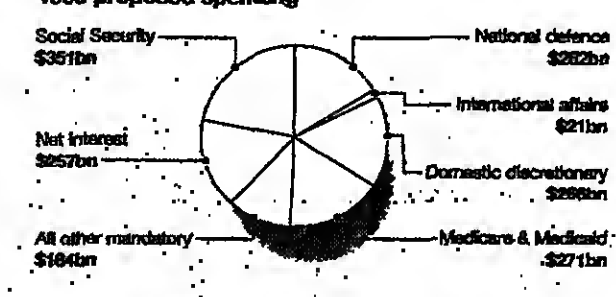
Politicians do talk about reforming entitlements. President Reagan used to and the habit is more common now because reducing them appears the key to balancing the budget. But it remains axiomatic that the political risk attached to doing something is very great indeed.

By offering a "steady as she goes" budget, with interesting administrative restructuring but no bold initiatives as two years ago, the president is in effect challenging Republicans to cross the political line into the red zone of potentially adverse public reaction. That will be tested in the

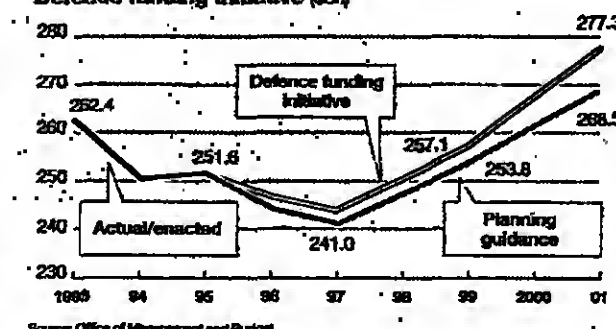
Clinton's budget



1996 proposed spending



Defence funding initiative (\$bn)



Source: Office of Management and Budget

months ahead on the non-entitlement parts of the budget debate, including reduced spending on welfare, lower subsidies for the arts and non-commercial broadcasting, and various environmental programmes. It may be that the public appetite for specified spending cuts will prove to be less than for the generalised principle of a smaller government, which at least the

Clinton budget espouses.

Administration officials also made much at briefings yesterday of the importance of preserving fiscal discipline as the economy settles in to a more moderate but sustainable and non-inflationary growth path. That may be seen as a clear challenge to Republicans not to repeat the policies of the 1980s which resulted in a quadrupled federal deficit.

Defence cuts to bottom out

By George Graham in Washington

President Bill Clinton has proposed cutting defence spending by \$6.8bn (\$4.3bn) to \$246.7bn next year, with a further \$1.2bn to be cut in 1997 before military spending begins to rise again in 1998-2000.

The budget proposal includes the additional spending promised by Mr Clinton in December to maintain military readiness and pay increases for the US armed forces. Senior defence officials said the budget proposal would trim military spending after inflation by 10 per cent over the next two years, but it would rise in real terms in 2000 and 2001.

They added that, by the end of fiscal 1996, US forces will be drawn down virtually to the size set by the Bottom Up Review of defence strategy conducted in Mr Clinton's first year in office, based on the need to be able to fight two near-simultaneous major regional conflicts.

The defence budget seems sure to set up a clash, not only between the Clinton administration and the majority Republicans in Congress, but also among the Republicans in Congress who are divided between those, such as Congressman John Kasich, who emphasise a "hard freeze" on spending and others, such as Congressman Floyd Spence, who fear cuts have created a "hollow force".

One area of disagreement is likely to come over ballistic missile defence, where Republicans are committed to accelerate the deployment of that theatre and national ballistic missile defence capabilities. The Clinton budget proposes only \$2.9bn for ballistic missile defences in 1996.

US BUDGET DIGEST

Power sources may be sold off

Electrical power generators owned by the US federal government could be up for privatisation if a proposal in the Clinton administration's budget becomes law.

The budget, published yesterday, proposes selling off four regional power marketing administrations to raise a net total of \$3.7bn (\$3.3bn) over the next five years. Other asset sales, could raise another \$3.6bn over the next five years.

Mr Newt Gingrich, speaker of the House of Representatives, has recently spoken approvingly of the concept of privatisation, but Republican enthusiasm for privatising the power marketing administrations is not assured, because these provide heavily subsidised electricity, especially to the western US.

The Congressional Budget Office calculated last year that the government charged an average of two cents per kilowatt-hour for its electricity, about 50 per cent below the market price. Selling the power to the highest bidder, it argued, could bring in around \$1.2bn a year.

Environment to gain

The Clinton administration yesterday proposed to spend \$73bn (\$68bn) for research and development in 1996, maintaining spending roughly at current levels but continuing a shift from military to civilian projects.

The big gainer from the R&D budget would be the Environmental Protection Agency with a 15.8 per cent increase, the Transportation Department with a 10 per cent increase, and the Commerce Department with 9.3 per cent.

But defence R&D spending would decline by 3.1 per cent and agriculture's would fall by 3.6 per cent.

Many members of the Republican-dominated Congress are ideologically opposed to government involvement in R&D, arguing it can be handled more efficiently by the free market. But the administration warns, in its budget report, of increasing economic competition in the global economy.

Much of the new civilian money would expand existing programmes such as the "clean car" initiative to improve emissions control and fuel efficiency.

More development aid

Foreign operations spending by the US would rise by 8.8 per cent to \$14.75bn (\$13.3bn) in President Bill Clinton's proposed budget for the 1996 fiscal year, with an increase in development aid and continued heavy aid to Israel and Egypt.

Development aid would rise to \$9.15bn under the president's proposal, with security assistance - most of which goes to Israel and Egypt - rising to \$6.01bn.

The administration is seeking \$78bn in economic assistance earmarked for the former Soviet Union, with another \$371m aimed at defence conversion and the dismantling of nuclear weapons. Eastern Europe is pencilled in for \$480m.

The foreign aid segment of the budget, however, is one most likely to be savaged by the Republican-controlled Congress. George Graham and Nancy Durne, Washington

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SHANGHAI

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thousands
people
Zoo high
cancer

NEWS: INTERNATIONAL

S Africa's police: riven, angry and underpaid

Roger Matthews finds the force is under pressure from the rapid changes in society

When, within a week, a white police officer shoots dead a black colleague who had gone on strike to protest about pay and racism, a police graduation ceremony is postponed because several cadets are discovered to have been convicted of serious crimes, and President Nelson Mandela threatens "the full wrath of government" for civil servants who disrupt law and order, it is clear that South Africa is battling through another agonising phase of its political transition.

The problems of the police are particularly acute and the challenges facing Maj Gen George Fivaz, newly appointed national commissioner of police, are among the most severe of any senior official chosen by the government of national unity in the wake of last April's general election.

Mr Fivaz, who will use the title of commissioner rather than his military style rank as part of an attempt to soften the police image, came to the post with one substantial advantage. He had not been associated with the security apparatus of the police whose prime responsibility was the enforcement of apartheid. Police excesses in defence of the apartheid system generated a hatred towards them which remains one of the most bitter legacies of the previous regime.

Just how much detail South Africans should be given about that ugly chapter of their history is an issue which has already threatened the stability of the government. President Mandela and Mr F.W. de Klerk, deputy president and leader of the National party, clashed angrily in cabinet last month over an attempt, made in the final days of the previous administration, to grant a blanket



Tense police standing guard during violent protests by taxi drivers in Johannesburg

immunity from prosecution to two former ministers and 3,500 police officers.

The Nationalists, who governed South Africa for 46 years, are understandably defensive about the attempted amnesty and the past role of the police, while the voices of those who were tortured, or whose relatives died in police custody, are demanding full public disclosure and an admission of culpability.

The machinery is already being set up in the form of the Justice and Truth commission, but the debate continues over whether hearings should be in camera and only the adjudications made public. But there is a determination among the dominant African National Congress that, for an amnesty to be given, there must be first a public admission of a specific wrongdoing.

Inevitably, the uncertainty is contributing to tension among some white officers, while anger is growing among black colleagues over what they see as continued racism. Anger spilled over in the black township of Soweto outside Johannesburg last month when white officers of the Internal Stability Division stormed a police station to break up a strike by black staff, killing one. The conflict spread to other stations, with some white officers saying they had to flee for their lives and many more applying to be transferred from predominantly black areas. More than half Soweto's 400 white officers and support staff say they wish to move.

Simultaneously, the police forces of the former black homelands are being incorporated into a single national structure which will in turn be divided into nine regional bodies,

each under a commissioner appointed by Pretoria. Just how much power should be devolved is the subject of fierce argument. The ANC favours community policing but under overall national control, while the National party and Chief Mangosuthu Buthe's Inkatha Freedom party, which both have an essentially regional power base, are arguing for greater local autonomy.

The dangers of devolution for the government were underlined last week when Mr Fivaz ordered authorities in KwaZulu-Natal to abandon a police academy graduation ceremony in Ulundi. Of the more than 600 cadets due to graduate, 28 had criminal records including murder, three were wanted by other police forces, and the backgrounds of another 100 had yet to be investi-

gated. A significant number were also thought to be members or office holders of Inkatha, in direct contravention of the ruling which forbids police from engaging in political activity.

Against such a background it is hardly surprising that the police appear to be losing ground in the battle to contain crime. Although politically motivated violence has declined, murder, rape, burglary and car hijackings all rose sharply last year. Some of that increase may represent a greater willingness by the public to report crimes, but few people doubt that the trend is upward.

In more affluent areas, such as the northern suburbs of Johannesburg, residents rely primarily on the proliferating private security companies which provide armed units in response to alarm calls. These companies are now estimated to employ substantially more people than the police, and to pay them better. A police constable initially receives little more than \$260 (\$180) a month, and last year's annual pay award failed even to match inflation.

The budget in March will reveal what additional resources the government can make available to help rebuild police morale and calm public fears. Ministers are well aware that investor confidence in South Africa will in part depend on improvements to law and order. The police and the Johannesburg chamber of commerce have decided to begin deploying 250 men from public and private forces in a joint effort to improve security in the central business district of the city. It is a measure of how tightly stretched resources are that the extra policing will only be available in daylight hours.

INTERNATIONAL NEWS DIGEST

Guilty plea over NY bombing

The alleged mastermind of the plot to bomb the United Nations building and other New York landmarks pleaded guilty in a surprise move yesterday and read a statement implicating his alleged co-conspirators, lawyers in the case said. Siddiq Ibrahim Siddiq Ali, 34, gave his plea to Judge Michael Mukasey shortly before the trial was to resume and he agreed to co-operate with the government. The judge delayed proceedings until today because of the plea.

Prosecutors allege that Mr Siddiq Ali and 11 others planned to "wage a war of urban terrorism" in the US. Egyptian cleric Sheikh Omar Abdel-Rahman is accused of being the group's spiritual leader while Mr Siddiq Ali allegedly helped devise the plot. Siddiq Ali had been an aide and translator for the cleric. The defendants are accused of helping to plan the 1993 World Trade Centre bombing that killed six people and injured more than 1,000. They are also charged with plotting to bomb the United Nations and bridges and tunnels leading into New York City. The indictment also accuses them of involvement in the November 1990 murder of radical Rabbi Meir Kahane in New York and with planning to kill Egyptian President Hosni Mubarak during a 1993 US visit. *Reuters, New York*

Kyrgyz face second round vote

One of Central Asia's first experiments in free parliamentary elections produced an indecisive result last night and many Kyrgyz voters will have to go to the polls again later this month. The many candidates presented voters with a bewildering choice and produced inconclusive results in most constituencies with as many as 30 nominees sharing the votes.

Most candidates were local politicians unaffiliated to any national party. The second ballot, on February 19, will be a run-off between the two leading candidates for each seat. The communist party, which fielded more candidates than any other with 40 nominees, made a strong showing in Sunday's elections. A strong block of communist deputies could threaten to thwart the reformist ambitions Mr Askar Akayev, the Kyrgyz president. *John Thornhill, Moscow*

Arabs unite on Israeli N-bomb

Eight Arab states took a united stand yesterday against international tolerance of Israel's refusal to sign the Nuclear Non-Proliferation Treaty. Egypt, Syria and six conservative Gulf states, meeting in Cairo at foreign ministers level, said exempting Israel from nuclear inspections was incompatible with Middle East peace. Israel has never signed the treaty, which runs out this year, and the Arabs, led by Egypt, have taken the opportunity to lobby against the special nuclear status Israel has acquired.

Egypt, accepting reports that Israel has about 200 nuclear warheads, has said it would find it very difficult to sign an extended treaty if Israel does not sign too. The US, which gives Egypt some \$2.2bn (£1.4bn) a year in economic and military aid, has been pressing Cairo to sign. US officials say a compromise might be possible, with Israel giving a commitment to sign at some later stage. *Reuters, Cairo*

Arafat condemns Gaza murder

Mr Yasser Arafat, leader of the Palestine Liberation Organisation, yesterday condemned Islamic extremists who shot dead an Israeli security guard in the Palestinian-ruled Gaza Strip. Mr Arafat, under intense Israeli pressure to crack down on Palestinian groups responsible for attacks on Israelis, accused Palestinian extremists of trying to undermine his fragile peace deal with Israel. *Julian Gauran, Jerusalem*

Afghan Islamists aim to oust mujahideen

By Farhan Bokhari
in Islamabad

Afghanistan faces the prospect of a new Islamic fundamentalist takeover, in some ways more conservative than the mujahideen factions that have ruled the country in the past three years, according to western diplomats.

In the past three months, a formerly unknown group of religious students calling themselves *Talibans* has seized administrative control of six out of 29 provinces, and another three may be about to fall, say mujahideen factions

based in Pakistan's northern city of Peshawar.

The movement is also considering launching an offensive on Kabul, the Afghan capital, to take control of the central government, from President Burhanuddin Rabbani and Prime Minister Gulbuddin Hekmatyar, well placed mujahideen officials say. The *Talibans* are led by Mohammed Umar, a shadowy figure whose background is unknown.

The *Talibans*, mostly graduates of ultra-religious schools, want almost complete seclusion of women from society, in a way that could end the few

token freedoms given under the three-year-old mujahideen government in Kabul: they want women to stop wearing make-up, even at home, and would bar them from employment in professions other than health-care for women or teaching in girls' schools.

They also want to outlaw football and chess, as un-Islamic pursuits. Despite their extreme views, the movement, estimated to comprise up to 20,000 fighters, is becoming increasingly popular, diplomats say. In contrast to the Islamic mujahideen leaders who, in their involvement with

western-funded guerrilla operations, made contact with western officials, the *Talibans* appear to have had little contact with the west.

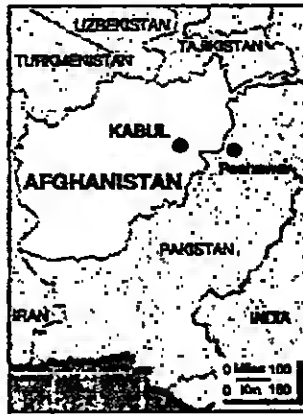
Most of their lives have been spent studying at the hundreds of Islamic schools, mostly in Pakistan, from 1979 onwards when the Soviet army's arrival triggered Afghanistan's refugee exodus. Diplomats estimate that, of the 15m population of Afghanistan in the 1970s, more than a third left the country when the war began. About 2m came to Pakistan.

But their growing support comes largely from the frustra-

tion with the government in Kabul, where rival factions led by Mr Rabbani and Mr Hekmatyar, have fought each other for more than two years in an intense and bloody power struggle. The Red Cross estimates that up to 25,000 people have died in the fighting.

"People are frustrated here, they are welcoming any kind of change and I see that some of them might think this [*Talibans*] is the only solution," said one senior aid official.

But the movement's precise objectives are not clear. It says it recognises no authority other than God and wants



Islamic government and law (*Sharia*) in Afghanistan. It also says it has no interest in running the country itself.



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FINANCIAL TIMES TUESDAY FEBRUARY 7 1995 ★

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When the Financial Times celebrated its centenary in 1988, a special limited edition of enamel boxes was commissioned from Halcyon Days. The lid design featured a drawing of Bracken House, Cannon Street - the newspaper's headquarters at the time - and depicted around the sides were pink columns of newsprint. The box was an elegant and much-admired commemorative *objet d'art*.

Halcyon Days' artists and calligraphers excel at creating special hand-painted designs that are uniquely appropriate, whether for a single enamel to celebrate an anniversary or for an edition of hundreds of boxes, clocks or paperweights to mark a memorable event in a company's history. Among the many international organisations who have commissioned corporate designs are Coutts Bank, the Grosvenor Estate, P&O Shipping, Baxters Soup, Coca-Cola, Perrier, Taylor Joynson Garrett, the Worshipful Company of Farriers, The Green Howards Regiment and the New York Times.

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NEWS: WORLD TRADE

Sutherland warns on trade curbs

By Caroline Southey in Brussels

The dispute between China and the US over copyright violations was likely to affect China's efforts to join the World Trade Organisation, Mr Peter Sutherland, WTO director general, said yesterday.

Although multilateral negotiations on China's membership and the bilateral dispute were separate issues, he said, both covered the issue of intellectual property rights.

"The dispute over intellectual property rights cannot be considered totally irrelevant in terms of China's entry into the WTO, although I don't know what precise effect it will have on negotiations," he said. He added that the WTO had no

role to play in the dispute between Washington and Beijing since China was not yet a member of the organisation.

He noted that there had been a "pause in activity" in China's accession talks since negotiations reached an impasse at the end of last year, and there were still "significant issues outstanding".

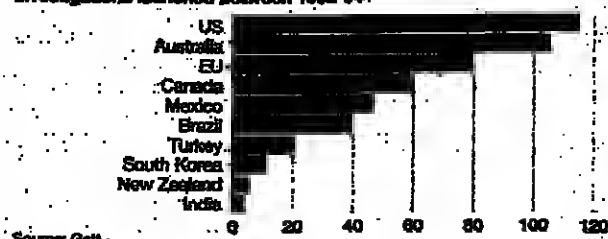
Mr Sutherland also warned that the proliferation of anti-dumping regulations posed a threat to world trade.

"The abuse of the development of anti-dumping rules could be an enormously damaging development in terms of world trade if it were permitted to happen."

The WTO director general said experience showed that countries most ready to use trade defence mechanisms

Anti-dumping actions

Investigations launched between 1992-94



Source: Gatt

often suffered most. "The US in the old General Agreement on Tariffs and Trade system was the largest defendant but was also the largest plaintiff in terms of anti-dumping dispute proceedings." He said the use of anti-dumping rules used to be the prerogative of the EU

and US but this was no longer the case. However, he added, the WTO had disputes mechanisms to deal with the problem "and hopefully we have the matter under control."

Mr Sutherland was speaking after addressing the first meeting of a committee set up

under the WTO to draw up uniform rules of origin. It is the first attempt to do this in a multilateral framework.

Rules of origin have traditionally been drawn up by individual countries and provide the guidelines for deciding where products are made. The issue has become a source of tension between trading partners following the growth in foreign investment.

Mr Sutherland said rules of origin had "great potential to promote or impede international trade". The old GATT "had nothing to say about the rules of origin" but the subject had been addressed under the Uruguay Round because of "the potential of this trade policy tool being used as a trade restriction".

Deals mark US-Israeli free trade anniversary

By Julian Ozanne in Jerusalem

Israel and the US yesterday celebrated the 10th anniversary of their free trade agreement by announcing design contracts for US companies worth \$39m and grants worth \$7m to develop joint high technology projects.

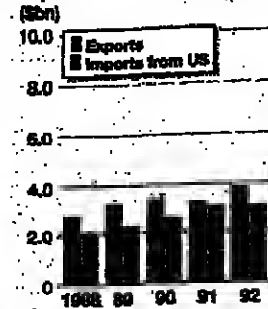
US commerce secretary Ron Brown said his visit to the region was designed to promote economic partnerships, foster economic growth and investment and provide underpinning for Middle East peace.

"Security and economic development interests go hand in hand," Mr Brown said. "In the long term there will be stability when people feel secure in their person and in their economic standards of living."

Mr Brown, together with Mr Yisrael Kassar, Israeli minister of transport, announced that TRA Architecture Engineering, a subsidiary of Black and Veatch, had won a \$17.8m design contract for an Air Sight terminal at Ben Gurion Airport. Two other US companies have won design contracts worth \$16.5m for ground and landscaping facilities at the new terminal. US officials said the design contracts could lead to significant downstream projects from other US companies

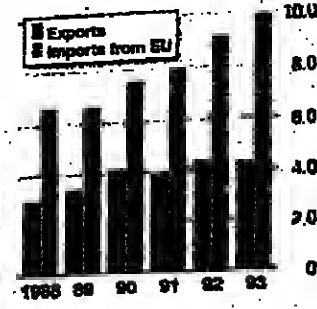
Israel: trade with the US and EU

Exports and imports from US



Source: IMF

Exports and imports from EU



as the design specifications would favour US technology.

Earlier Mr Brown, together with trade and industry minister Micha Harish, announced winners of the first grants awarded by the year-old US-Israel Science and Technology Commission. Two projects, one involving high-performance imaging cameras for nuclear medicine and one to develop aquaculture, involve approximately \$16m in cost-sharing between Israeli and US companies over four years. The third project involves a feasibility study to be conducted by McDonnell Douglas Aerospace and Israeli companies to develop a solar power generation system for a project which, if realised, would be worth \$3m.

Trade between Israel and the US has climbed sharply in the past 10 years and last year reached \$9.4bn, excluding military sales. Israel has a trade surplus with the US of \$1bn.

Mr Brown also hailed what he described as an "unprecedented" meeting of the trade ministers of Israel, the US, Egypt, Jordan and the Palestinians which opens to Egypt today. The meeting is expected to discuss ways of advancing regional integration and infrastructure development projects and create a permanent regional trade institution.

Japan welcomes US action against China

By Michio Nakamoto in Tokyo

The stance taken by the US against copyright infringement in China has been welcomed by Japanese companies which have quietly suffered for many years from piracy in Asia.

Japanese music companies, publishers and video games manufacturers have increasingly been subject to copyright violations in China. "As a member of the record industry we have a similar sense of urgency as the US and welcome their move," said a representative of the Recording Industry Association of Japan.

Japanese publishers have also suffered from widespread copying. Kodansha, a leading publisher, says that it has contracts with Chinese publishers for the publication of 10 comics but that at least 40 to 50 other items by its comic book writers are being copied in China.

Japanese video games makers have been among the most active in fighting piracy in

China but they have relied largely on their own efforts, and the Chinese police, to deal with the problem.

Sega, the video games maker, for example, sent its own employees into China to work with local authorities to locate factories pirating its machines and software. Last year, it became the first Japanese company to win an order against a local factory to halt production of pirated video games machines. Since video games are not difficult to copy, Sega has taken piracy very seriously.

While many Japanese owners of copyright deplore the situation in China, they have found it extremely difficult to grasp the extent of the piracy taking place there. The RIAJ concedes that it has no idea how much Japanese music is actually being pirated in China.

Piracy in China has grown as international pressure and local policing have curbed vio-

lations in other Asian countries which used to be the main culprits. A few years ago, Taiwan was the base for pirated music, but after considerable pressure from the recording industries, many factories there closed and either sold their equipment to factories in mainland China or set up facilities there, the RIAJ says.

Japanese companies are also

sceptical that copyright can be enforced in a large country such as China where the concept of intellectual property is still vague, as it was in Japan itself in the past.

"We welcome the US move but I think it will take China four to five years" to bring its copyright environment up to international standards, said Mr Masahisa Aizawa, international director of the Japan

Association of Music Entertainment.

An official at Kodansha said the publisher co-operated with the Chinese authorities in trying to track down piracy but it had not put all its efforts into the job. "The US move will have an impact but it is impossible to control a vast market like China," he said. "Even if you try to wipe out piracy, it won't disappear."

WORLD TRADE NEWS DIGEST

EU disagrees on aid for ACP

Talks on a new financial aid package for African, Caribbean and Pacific (ACP) countries stalled yesterday after foreign ministers of the European Union failed to agree on a new five-year spending plan. France, which holds the rotating EU presidency, said it would call an emergency meeting of foreign ministers on February 15.

Mr Alain Juppé, the French foreign minister, said the present offers of aid were untenable and he had no intention of delivering the bad news of an aid cut to ACP countries, many of them former French and British colonies. France had supported an EU Commission proposal that the aid budget should be increased from Ecu10.94bn (excluding European Investment Bank loans) to Ecu14.3bn (\$17.6bn) for 1995-2000. Mr Juppé said it was vital to maintain support under the European Development Fund in real terms. The proposal met fierce resistance from Germany, Britain and the three new member states, Sweden, Finland and Austria.

The UK had sought a 10 per cent reduction in its contribution, which was 16.5 per cent of the total in the last budget. The new EU members argued against a larger EDF budget on the grounds they had no historical commitments to Africa. The foreign ministers did, however, manage to agree a preferential market access package covering agriculture, including mandarins and grapes and rum. Caroline Southey, Brussels

US seeks Ukraine N-deals

The US government yesterday stepped up efforts to promote US companies vying for contracts in Ukraine's nuclear energy sector. A \$200,000 grant from the US Trade and Development Agency will help fund feasibility studies by Westinghouse, the nuclear energy giant, on the modernisation of Ukraine's 10 operating VVER-type reactors. Last year Westinghouse formed a venture with Khartron, a large nuclear missile guidance system producer picked by the Ukrainian government to overhaul Ukraine's five nuclear stations. The venture is backed by US defence conversion funds covering 27 per cent - up to \$4m - of Westinghouse investment.

Westinghouse faces stiff competition from ABB Power Combustion, an affiliate of the Swiss-Swedish engineering concern, Siemens of Germany and Framatome, the French nuclear plant supplier, in the technology services and equipment supply market in the former Soviet republic.

Pressed by energy shortages, the Ukrainian government has decided to go ahead with construction of five new VVER reactors despite domestic and international concerns over safety. The construction and overhaul work awaits funding. The European Union has committed roughly Ecu25m (\$30m) to nuclear safety but most cannot be released until Ukraine agrees to close Chernobyl's older RBMK reactors. Matthew Kaminski, Kiev

■ GE Power Systems, part of General Electric of the US, has signed a memorandum of understanding to establish a joint venture with St Petersburg-based AOOT Kirovsky Zavod. The venture, to be 70 per cent owned by GE, will make heavy-duty gas turbines for the Russian market. It will go into effect in the first half of this year. Andrew Baxter, London.

■ GEC Alsthom has, as expected, signed an agreement with the China Guangdong Nuclear Power Holding Company to supply the conventional equipment for a new nuclear plant at Lingao in Guangdong province. The project could be worth up to \$350m (\$546m) for the Anglo-French engineering group, and is part of a \$2.8bn deal announced last month for the second stage of the Daya Bay nuclear project. Andrew Baxter, London.

■ Philips Lighting and Polam Farel of Poland have reached agreement on a joint venture in light fittings. Polam Farel is the leading maker of indoor light fittings, with about 30 per cent of sales exported and is based in Ketrzyn in northeast Poland. The new company will strengthen Philips Lighting's position on the light fitting market, especially in eastern Europe, Philips said. ARX, Birmingham.

■ Manila-based investment company First Gas Holdings plans to build a 400MW natural-gas-fired power plant in southern Luzon island. Newly registered First Gas is to sell power to Manila Electric Co (Meralco). British Gas owns 40 per cent of First Gas, while Meralco and its pension fund subsidiary hold 10 per cent each. Reuters, Manila.

■ Members of the East Asian Growth Area are finalising an air agreement to allow unhindered entry of flag carriers to destinations in the Philippines, Indonesia, Malaysia and Brunei. The Civil Aviation Board in Manila has approved a draft memorandum of understanding allowing unlimited access by the countries' carriers to four Philippine destinations. Reuters, Manila.

IF YOU TOOK A LIKING to the Chillingham Toy Works and were thinking of making a bid for it, you could analyze 10 years' worth of comparative transactions, conduct some research into the global birth rate between 1984 and 1989, commit the corporate tax code to memory, ask your friends to lend you a few million dollars, and make Dodsworth Browne a really fun offer.

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مركز الأمل

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Private buyers stay away but sales to business sector show increase

Car registrations in decline

By Kevin Done,
Motor Industry Correspondent

UK new car registrations fell last month by 3.7 per cent year-on-year to 191,186, the fourth successive monthly decline. Sharply declining demand from private buyers is undermining the new car market despite heavy spending by car-makers on sales incentives.

The January new vehicle registration figures released yesterday by the Society of Motor Manufacturers and Traders underline the divergent trends in the development of UK consumer and business confidence. They show:

- a decline of 12.9 per cent year-on-year in car sales to private buyers to 88,900;
- an increase of 6.1 per cent in car sales to businesses and fleet operators to 102,286; and
- a rise of 23.5 per cent in registrations of new commercial vehicles to 21,801.

Sales to private buyers have fallen for seven months in a row, and weakening consumer confidence is causing increasing concern for car-makers.

Last week's rise in interest rates is likely to make private purchasers increasingly reluctant to come to market, warned Mr Ernie Thompson, SMMT chief executive.

Mr David Gent, director general of the Retail Motor Industry Federation, was "deeply concerned over the impact of last week's further upward move in rates on car sales over the coming months. The link between the housing and new car markets is so strong that we will undoubtedly remain under pressure for the future as the Miras (mortgage interest relief) cuts bite into household budgets in April, and recovery in house prices now looks a distant prospect."

The recovery in the UK new car market began to falter last summer. New car registrations in the whole of 1994 rose by 7.5 per cent to 1.91m, but sales were lower than a year earlier in each of the last three months of the year.

The fall in demand has been moderated by the continuing strength of the fleet sector (operators of 25 or more vehicles), where registrations rose last month by 7.4 per cent year-on-year to 88,103. Sales to the small and medium-sized business sector (operators of less than 25 vehicles) fell by 1.9 per cent to 14,183.

Private purchasers accounted for only 46 per cent of the new car market in January compared with 51 per cent in the same month a year ago.

UK NEW CAR REGISTRATIONS (Jan 95)

	Jan 95	Jan 94	Change (%)	Jan 95	Jan 94	Change (%)
TOTAL	191,186	202,000	-5.4	191,186	202,000	-5.4
Private	88,900	101,500	-12.9	88,900	101,500	-12.9
Business	102,286	100,500	+1.8	102,286	100,500	+1.8
Commercial	21,801	18,000	+21.1	21,801	18,000	+21.1
By make						
Vauxhall	21,111	20,500	+3.0	21,111	20,500	+3.0
Ford	19,500	19,000	+2.6	19,500	19,000	+2.6
Renault	18,500	18,000	+2.8	18,500	18,000	+2.8
Peugeot	17,500	17,000	+3.0	17,500	17,000	+3.0
BMW	16,500	16,000	+3.1	16,500	16,000	+3.1
Volvo	15,500	15,000	+3.3	15,500	15,000	+3.3
Mercedes	14,500	14,000	+3.6	14,500	14,000	+3.6
Seat	13,500	13,000	+3.8	13,500	13,000	+3.8
Skoda	12,500	12,000	+4.2	12,500	12,000	+4.2
Alfa Romeo	11,500	11,000	+4.5	11,500	11,000	+4.5
Toyota	10,500	10,000	+5.0	10,500	10,000	+5.0
Subaru	9,500	9,000	+5.6	9,500	9,000	+5.6
Land Rover	8,500	8,000	+6.3	8,500	8,000	+6.3
Jeep	7,500	7,000	+7.1	7,500	7,000	+7.1
Mini	6,500	6,000	+8.3	6,500	6,000	+8.3
Hyundai	5,500	5,000	+10.0	5,500	5,000	+10.0
Daewoo	4,500	4,000	+12.5	4,500	4,000	+12.5
Other	3,500	3,000	+16.7	3,500	3,000	+16.7

Quango reform ruled out as funding grows

By James Bitts
and Andrew Adonis

Reforms to quangos and other unelected bodies were ruled out by the government yesterday despite mounting criticism of their wide-ranging powers and a 27 per cent increase in government funds under their control.

Official figures released yesterday showed that the amount of state funding for "appointed executive bodies" had doubled in real terms since 1979, to £1.5bn.

State funding for such bodies - quangos, which do not include National Health Service trusts and other large spending agencies such as Training and Enterprise Councils - rose by £3.19bn (£4.97m).

This is the largest increase for a single year since the Conservative party took office in 1979, despite the low level of inflation.

The bodies are responsible for activities as diverse as the Citizen's Charter and university funding.

The number of appointees to

quangos also rose last year, and now stands at 42,576.

As the Nolan committee investigating standards of public conduct prepares to consider whether an independent body should be partly accountable for such appointments, the government maintained yesterday that the final decision over filling all quango posts should continue to lie with ministers.

Outlining the evidence that he will deliver to the Nolan committee today, Mr David Hunt, the minister for public service, rejected claims by opposition MPs that most appointments in recent years have been given to Conservative party supporters.

He said the current system of appointments could be improved by a number of measures, including more advertisements in newspapers, clearer job descriptions and the reasons for decisions fully recorded.

He also stressed that it was important to maintain a "sense of balance" in quango appointments, recruiting people "from all walks of life".

UK NEWS DIGEST

French and US groups join bid for rail link

Two new partners have joined Union Link, one of the four consortia bidding to build the £2.9bn (£4.5bn) high-speed rail link between London and the Channel tunnel, Union Link said. The two companies are Setec, one of the largest independent French engineering companies, and Kaiser Engineers and Constructors, part of the US engineering and construction group ICF Kaiser International. At the moment trains using the tunnel to reach Paris and Brussels from London use existing tracks in England.

Union Link said the new arrivals would broaden the range of skills in the consortium following the decision last December by Taylor Woodrow, the UK property and construction group, to leave. The bill authorising building of the link was given an unopposed second reading in Parliament last month, but is expected to take a further two years to complete the parliamentary process. Final bids for the contract must be made by March 14. Other members of the Union Link consortium are W.S. Atkins, the consulting engineers, John Mowlem Construction, Philipp Holzmann of Germany, Spie Batignolles of France and AEG of Germany.

Charles Batchelor, Transport Correspondent

Excerpts from arms to Iraq inquiry back Thatcher

Baroness Thatcher had no personal knowledge of exports to Iraq which were known to be defence related, according to draft extracts of Sir Richard Scott's inquiry report.

The findings accept a central plank of the former prime minister's evidence to the inquiry in which she distanced herself from responsibility in the arms-for-Iraq affair.

However, it is only a partial extract of the inquiry's findings and may not totally exonerate her of the blame that is expected to be placed on civil servants and past and present ministers in the report due to be published after Easter.

Jimmy Burns

Lloyd's acts on Names' damages

Lloyd's of London yesterday highlighted the difficulties it faces this year in satisfying regulators about many loss-making members' finances by unexpectedly announcing steps to recover damages won in court by Names.

Mr David Rowland, Lloyd's chairman, said that without the proposed rule change - which is vigorously opposed by groups representing hard-hit Names - the insurance market would find it harder to pass solvency tests set by the Department of Trade and Industry.

But he said the decision had been taken mainly to ensure fairness between Names, individuals whose assets have traditionally supported the insurance market.

In a letter to Names, Mr Rowland expressed confidence Lloyd's would satisfy regulators that it could meet shortfalls in Names' assets by using central resources.

Ralph Atkins

Builder's widow is accused of murdering 10 women

Mrs Rosemary West appeared in preliminary proceedings in a small country courtroom accused of murdering 10 young women. Among alleged victims of the 41-year-old mother of seven are her 16-year-old daughter Heather and eight-year-old step-daughter Charmaine. Remains of nine of the alleged victims were recovered in a police dig last year in a house and garden in the city of Gloucester in western England.

This was the home Rosemary West shared with her husband and co-accused, the builder Frederick West, who was found hanged in his prison cell on New Year's Day. PA News

Chatterbox Shoes, a children's shoe factory in the English Midlands, is to close with the loss of 95 jobs because of competition from cheap imports. The family-run business will cease trading after more than 70 years. PA News

Premature celebration

A couple who thought they had won a large share in a £10m (£15.7m) prize in the national lottery hastened to a pub to celebrate with the other 11 members of their syndicate and sat down to plan expensive holidays. Their celebrations, which began after the winning numbers were drawn on television on Saturday night, continued into Sunday morning, by which time syndicate members were telephoning relatives to offer them expensive presents. Only then did the nine-year old daughter of the couple in Portsmouth, southern England, admit that she had marked the winning numbers on a syndicate ticket as they were drawn on television - more than an hour after the sale of tickets had closed. PA News

Labour leader's call
Mr Tony Blair, leader of the opposition Labour party, urged activists to have the "guts" to help the party win the next general election by abandoning the commitment to wholesale nationalisation in Clause 4 of its constitution. In a passionate speech to a party conference, Mr Blair said his plan to rewrite Clause 4 had to succeed if Labour was to win.

Departing from his prepared text, the leader of the Labour party appealed for support from ordinary party members against widespread criticism of his proposals from leftwing constituency and trade union officials. "The only time we have ever been able to do anything is when sensible, radical people on the left have had the guts to get themselves in order so that they can change things," Kevin Brown, Political Correspondent

Pension scheme change

The Post Office Staff Superannuation Scheme is to sell its holding in PostTel Investment Management, the in-house manager for both its own pension assets and those of British Telecommunications, the former state utility. PostTel will become wholly owned by the BT pension scheme although it will continue to act under a "long-term" contract as the investment manager for about £10bn in pension assets of Post Office scheme members. PostTel's assets under management constitute the UK's largest pension scheme. It was created in 1983 when the Post Office and BT were split. It manages assets of £26m (£40.5m), about 80 per cent of the assets of each scheme. Norma Cohen, Investments Correspondent

Spending spree: Shoppers will spend a third of their cash in out-of-town stores within four years in spite of government attempts to revive high streets, says a report by the retail analyst Verdict. Planning permission already granted will lead to a further 2.5m sq m of out-of-town shopping space by the end of 1998, the report says.

Retail group to expand B&Q, the home improvements retailer, is to create more than 2,000 new full-time and part-time jobs this year in a £20m expansion of its store chain. The programme could create 7,000 to 8,000 jobs over the next five years. The company, a subsidiary of the Kingfisher group, plans about 50 giant B&Q Warehouse stores in the next five years.

Doctor struck off: A doctor who prescribed large amounts of a powerful painkiller to a drug addict was struck off the register when he was found guilty of misconduct by the General Medical Council. Dr Benjamin Anazodo of north-west London appeared in handcuffs before the council's Professional Conduct Committee. A lawyer for the council said a 44-year-old drug addict had died in 1993 from a massive overdose of Palfium, a strong painkiller usually given to terminally ill patients. Dr Anazodo denied overprescribing Palfium.

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THE CITIBANK PRIVATE BANK

TECHNOLOGY

Vanessa Houlder reports on the advantages of case-based reasoning, the latest problem-solving technique

Back to the future



Oliver Curren: 'Case-based reasoning is a knowledge enhancer rather than a knowledge supplier'

War on suspicious payments

Vanessa Houlder on Visa's new fraud-fighting method

Anyone who uses a plastic payment card unwittingly provides a central computer with a detailed picture of his or her spending habits. That information is increasingly being put to use in the battle against card fraud.

Visa, the international card payments system, is testing an electronic system that Robert Littas, vice-president, describes as "the most advanced fraud detection system available".

The system, called the Cardholder Risk Identification Service, has recently completed a trial in the US and Canada, which saved \$40m (\$28m) over six months by cutting down fraud. It has now started a four-month trial in Spain, which aims to detect fraud on cards issued in the UK, France, Germany and Italy.

The technology behind CRIS is a neural network at Visa's central computer system in McLean, Virginia. "This is a device composed of many parallel, interconnected

The system alerts card issuers 12 times a day to high-risk transactions

computing units which is capable of recognising patterns within large amounts of data.

The information supplied by three months of Visa transactions is enough to give the system a picture of where and when individuals usually spend their money, and the type and price of goods and services they buy. It is then capable of picking out transactions that fall outside the usual pattern.

The system alerts the card issuers 12 times a day to high-risk transactions. The issuer can contact the cardholder or a relative to check the authenticity of the transaction.

The ability to alert cardholders within hours of the suspicious transaction taking place cuts down the "fraud cycle", since many cases are not reported until the monthly bill is submitted.

The system also detects patterns in the behaviour of fraudsters. One example is that card thieves often fill up a car with small amounts of petrol as a simple test of whether the theft of the card has been reported.

As CRIS comes into use, some fraudsters may learn to change these tell-tale patterns of behaviour. But their need to buy expensive goods quickly is likely to continue to give them away.

"They will still want to buy Rolex watches," says Littas. Alongside CRIS, Visa is working on another neural network system, called the Merchant Risk Identification System, which will identify the locations where criminal activity is most prevalent. As a result, banks can work with merchants to reduce risk and look for possible collusion by staff. MRIS is "still at a conceptual level", but will probably be piloted in the US at the end of the year.

These systems will not replace existing anti-fraud measures. Rather, they will be used in conjunction with other measures and to complement the neural network systems already used by some banks.

"The system is not infallible. We don't know how many fraudulent transactions are not picked up by the system," says Littas. "There are probably a number of fraudulent transactions that go through."

It also issues many false alarms. Typically, the issuing banks using CRIS follow up 30 to 40 innocuous transactions for each one that proves fraudulent.

This means that banks are not prepared to stop suspect transactions at the time they are made. An apparently suspicious succession of jewellery purchases could simply be explained by the cardholder being on honeymoon, says Littas.

Even so, CRIS has the potential to annoy customers, particularly if card issuers check suspect deals with the cardholder's relatives. Anyone conducting an illicit affair, or even buying a surprise gift, is unlikely to be enthusiastic about a card issuer alerting their household to a suspicious transaction.

Littas says there has been "almost no negative reaction" from individuals concerned that their privacy is being invaded.

Nonetheless the privacy issue is taken seriously. "The decision about whether we go forward and do this in real life is very dependent on this [issue]," he says.

"It is in the interest of nobody to disturb the relationship between issuing bank and their customers."

For years, artificial intelligence has been accused of promising too much and delivering too little. But case-based reasoning, a relatively recent offshoot of artificial intelligence, is beginning to prove itself in practical problem-solving.

"The technique is still in its formative stage," says Joe Carter, head of Andersen Consulting's centre for strategic technology at Palo Alto, California. "It is not in widespread use but it is very promising. It has many advantages."

One advantage of CBR is its conceptual simplicity. Just as humans tend to solve problems by drawing on their past experience, CBR works by adapting solutions that were used to solve old problems. The user presents the new problem to a computer that contains a library of hundreds or thousands of past cases. The computer retrieves the most similar case and, if necessary, adapts it to suit current circumstances.

The most common use of CBR is in helping companies deal with technical problems with their equipment. The pace of technical change, together with the relatively high staff turnover on most IT help desks, creates a need for a system that allows inexperienced users to tap into existing knowledge about the problems and faults thrown up by the equipment.

For example, CBR has been applied to the IT help desk at J. Sainsbury's Blackfriars headquarters in London, which fields 1,400 calls a day concerning everything from the breakdown of a sales terminal to a malfunctioning printer. It has installed the CBR Express system, designed by Inference Corporation of El Segundo, California, and Slough, Berkshire.

The system, which stores about 4,000 previous cases, is capable of assisting the helpdesk staff to answer about 60 per cent of their queries. "It is now used as a key problem-solving tool in assisting help desk analysts," says Dilip Popat, senior manager, computer services branch. "It has been a very good investment on our part."

Other applications of CBR are largely restricted to academic circles and a modest number of industrial pioneers. "Knowledge of CBR is spreading rapidly through academia. In industry, very few people know about it," says Roh Milne, managing director of Intelligent Applications, a UK distributor of ReMind software.

Nonetheless, CBR is proving useful in cases where more established artificial intelligence techniques have failed. In particular, CBR can cope with situations that cannot be tackled by expert systems, a problem-solving technique that uses explicit rules to find solutions. In cases where there is no clearly understood model of how something works, CBR often proves useful.

In some circumstances, it can be more effective than neural network systems, which are computing devices that are capable of picking out patterns

from large databases. Whereas a neural network cannot explain its findings, a CBR system can provide supporting reasoning.

The scope of CBR embraces a wide variety of industries. Following the pioneering work of Roger Schank at Yale University in the early 1980s, researchers have designed CBR systems that tackle everything from the travel plans of Cyrus Vance, the ex-US secretary of state, to medical diagnoses, law and cooking.

CBR's first commercial application was at Lockheed, the US aerospace company. The problem it tackled was how best to design the layout of parts within an autoclave. Because the heating characteristics of the parts in the autoclave are complex and poorly understood, the operators relied upon their previous experience of successful parts layouts. In 1987, Lockheed started to develop a CBR system called Clavier, which is able to recommend new layouts by searching and adapting previously successful layouts.

The aircraft industry also uses CBR for maintenance and fault diagnosis. The Kate program designed by Paris-based AcknoSoft is used as part of the maintenance program for Boeing 737 jet engines.

Financial services applications of CBR are also expanding. Andersen Consulting installed a CBR system in a large mid-western insurance company, which allowed it to automate 90 per cent of its property and casualty underwriting. The system improves the quality of the underwriting because it draws on the com-

bined knowledge of the group, says Carter. "It is much more consistent, more premeditated."

At Touche Ross, the accountants, CBR is used to help assess risk, with a system based on several hundred cases supplied by auditors worldwide. The early results suggest it could be a useful aid to auditors, although it could not replace their decision-making skills. "It is a knowledge enhancer rather than a knowledge supplier," says Oliver Curren, an adviser on knowledge-based systems who designed the system.

Training is another poten-

tially useful market for CBR. Andersen Consulting has designed a system to teach human resource management. Whereas previously users were merely taught general principles, the CBR system can respond to an error on the part of a user by presenting a past case that illustrates the consequence of the mistake.

One factor driving experimentation with CBR is the growing availability of CBR software. Compared with some artificial intelligence techniques, it is relatively quick and inexpensive to try out a CBR system.

But even the enthusiasts for

CBR are careful not to exaggerate its potential. One constraint is the ability to describe a situation in a suitable way. For example, CBR cannot be applied to air traffic control because it is impossible to devise a symbolic representation of dots on a screen.

There may also be problems in building up a suitable case library. Although companies usually store records of, say, maintenance work, they often contain more administrative than technical details.

Caledonian Paper, the Scottish paper company, for example, has been hampered in its attempt to use a CBR machine

to assist the repair of faults on electrical drives because it has access to fewer than half the cases it needs. "We do get indications but not to any degree of confidence," says Roy McHattie, electrical instrument superintendent. It is now working with the manufacturer to build up cases of faults experienced by other users.

Maintaining the database of cases, which is important to expand the range of the system, is also time-consuming. More work needs to be put into how CBR systems adapt cases, since currently CBR systems rely on human intervention.

Another issue concerns the acceptability of this kind of system. Will professionals resist its introduction in the belief that it devalues their own experience?

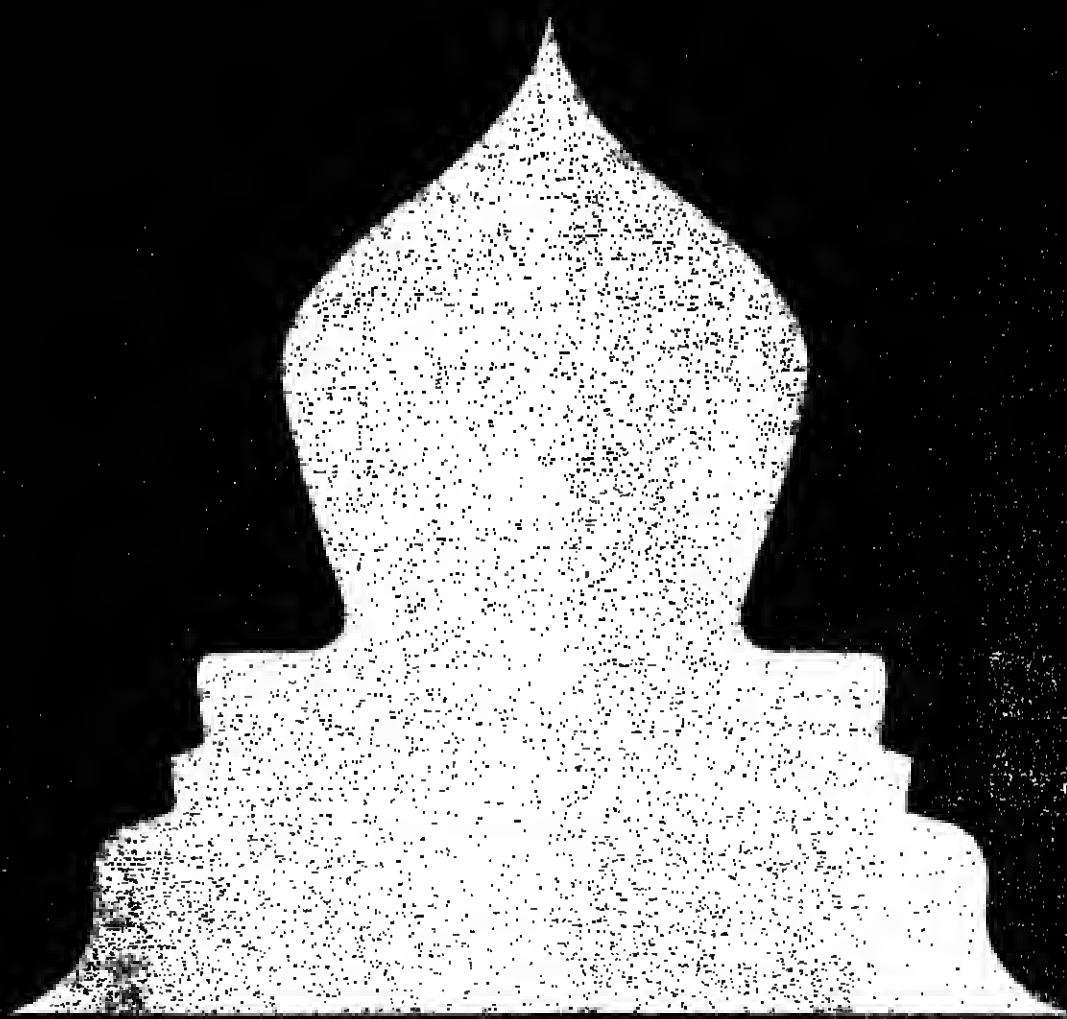
Mostly, users believe it is seen as a support system rather than a substitute for human experience. "If it was implemented on a mature [IT] system, it might be seen as deskilling or displacing individuals," says Popat. "But if it is installed in an environment with a high degree of change and where new people are coming through quite rapidly, it will be seen as a positive tool."

Ian Watson, a researcher at Salford University, believes that CBR is intrinsically more acceptable to professionals than some other forms of artificial intelligence such as rule-based systems which purport to diagnose a problem. "With CBR we are not making any claims that it understands," he says. "All we are looking for is the pattern of previous cases."

Watsoo is optimistic about the prospects. "CBR is perhaps one of the first fruits of spring following the artificial intelligence winter."

Michel Manago, chief executive of AcknoSoft, also argues that CBR has outstripped other theory-bound artificial intelligence techniques. "It [CBR] has produced results which are very practical. It is out of the ghetto of the academic artificial intelligence community."

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BUSINESSES FOR SALE

INVITATION TO EXPRESS INTEREST
IN THE ACQUISITION OF THE
FERDOFIN GROUP
(currently in receivership as per Italian law of
April 3rd, 1979, no. 95, the so called "Prodi Act")

The Ferdofin Group is one of the leading Italian steel producers with a yearly production capacity of 1,200,000 tons of finished products and 600,000 of intermediate products. It currently employs approximately 950 people.

The plants are located in:

- San Zeno (Brescia), steel mill;
- Pallanza (Novara), production of beams;
- Gianmoro (Mantova), production of beams;
- Dole (Verona), production of merchant bars, mainly for drawing;
- San Giovanni Valdarno (Arezzo), production of merchant bars, components for earthmoving, railway equipment.

In addition, the Group has sales subsidiaries either controlled or affiliated.

The Receiver ("Commissionario") intends to start the sale process of the Ferdofin Group business (including debts and credits existing prior to the company's admission to receivership) in accordance with the purposes and objectives of the receivership, and therefore:

- invites
- whoever is interested in the acquisition to send an indication of interest by means of a letter sent by registered mail, return receipt requested, addressed to the Commissionario, Mr. Aurelio Guccione, c/o Bain, Cuneo e Associati, Via Crocetta 10, I-20122 Milano (phone: +39-2-5832881; fax: +39-2-5834407).
- The letter must:
- contain the exact identity of the interested party, which must be a limited liability corporation, with indication given of its legal domicile;
 - be signed by the legal representative of the interested party;
 - if presented by several parties grouped together as a single group, be signed by each member of the group and be presented by a sole representative of the group, expressly appointed;
 - clearly indicate the reasons for the interest in the acquisition;
 - contain any other information deemed useful by the interest.

ed party, in order to give evidence of its own business and financial ability to close an eventual acquisition;

include a commitment to maintain the confidentiality of all information that will be supplied by the Commissionario either directly or through Bain, Cuneo e Associati.

The following documents shall be attached to the letter:

- a copy of the articles of incorporation and the bylaws of the interested party(ies) and copy of the party(ies) last three official financial statements;
- list of the members of the senior management and the directors of the company(ies) interested.

The parties that deliver their indication of interest according to the above terms and conditions by 6.00 P.M. on March 7th, 1995, shall:

- be assured of complete secrecy as regards the existence and the contents of their letter;
- obtain an information memorandum containing the main data on the Ferdofin Group;
- obtain further information, apart from information which is deemed secret by the Commissionario.

At the conclusion of the information phase, the Commissionario reserves the right to start a procedure for the sale of the Ferdofin Group business, in accordance with the provisions of law and the indications provided by the Oversight Authority.

This announcement does not constitute, in any way:

- an offer of sale to the public, per art. 1336 of the Italian Civil Code;
- a solicitation of savings from the public in this context it is noted that any future sale will not consist, directly or indirectly, in transfer of shares or securities of any kind.

This announcement and subsequent announcements are subject exclusively to Italian law and jurisdiction.

The Commissionario of the Ferdofin Group in receivership (Mr. Aurelio Guccione)

INVITATION TO EXPRESS INTEREST
IN THE ACQUISITION OF
GENCORD SH
(FERDOFIN GROUP)
(currently in receivership as per Italian law of
April 3rd, 1979, no. 95, the so called "Prodi Act")

Gencord s.r.l. is one of the leading Italian producers of steel cord, with a yearly production capacity of 16,000 tons. At the moment it employs approximately 250 people.

The plant is located in Assegni (Cagliari).

The Receiver ("Commissionario") intends to start the sale process of the Gencord business (including debts and credits existing prior to the company's admission to receivership) in accordance with the purposes and objectives of the receivership, and therefore:

- invites
- whoever is interested in the acquisition to send an indication of interest by means of a letter sent by registered mail, return receipt requested, addressed to the Commissionario, Mr. Aurelio Guccione, c/o Bain, Cuneo e Associati, Via Crocetta 10, I-20122 Milano (phone: +39-2-5832881; fax: +39-2-5834407).
- The letter must:
- contain the exact identity of the interested party, which must be a limited liability corporation, with indication given of its legal domicile;
 - be signed by the legal representative of the interested party;
 - if presented by several parties grouped together as a single group, be signed by each member of the group and be presented by a sole representative of the group, expressly appointed;
 - clearly indicate the reasons for the interest in the acquisition;
 - contain any other information deemed useful by the interest party, in order to give evidence of its own business and financial ability to close an eventual acquisition;
 - include a commitment to maintain the confidentiality of

all information that will be supplied by the Commissionario either directly or through Bain, Cuneo e Associati.

The following documents shall be attached to the letter:

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- list of the members of the senior management and the directors of the company(ies) interested.

The parties that deliver their indication of interest according to the above terms and conditions by 6.00 P.M. on March 7th, 1995, shall:

- be assured of complete secrecy as regards the existence and the contents of their letter;
- obtain an information memorandum containing the main data on Gencord;
- obtain further information, apart from information which is deemed secret by the Commissionario.

At the conclusion of the information phase, the Commissionario reserves the right to start a procedure for the sale of Gencord business, in accordance with the provisions of law and the indications provided by the Oversight Authority.

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The Commissionario of Gencord in receivership (Mr. Aurelio Guccione)

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INTERNATIONAL PEOPLE

New Euro
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■ Steve Burke, 36, president and chief operating officer of Euro Disney. He joined Euro Disney in late 1992 from The Walt Disney Company where he had been in charge of the Disney stores.

■ Paavo Rantanen has stepped down temporarily as a member of Nokia's executive board following his nomination as Finland's Minister for Foreign Affairs. During his absence his duties will be carried out by Tapio Hiltikka, another member of the executive board.

■ John A. Boland, chief executive of Montreal-based Dominion Textile, Boland, who had run Dominion's Swift Textiles denim subsidiary for four years, succeeds Charles H. Hantho, who remains chairman.

■ Howard Kilroy, 58, president and chief operating officer of Jefferson Smurfit, to retire after 22 years with the group. He will remain on the board.

■ Javard Aziz, 42, chief executive of IBM UK, has left to become European general manager of Silicon Graphics, a California-based computer manufacturer. Aziz has been replaced by J. Barrie Morgan, who until recently led IBM's services business in the UK.

■ John E. Cleghorn has taken over as chairman of the Royal Bank of Canada on the retirement of Allan R. Taylor.

■ Derek Osborn, 54, director general of environmental protection in the UK's Department of the Environment, chairman of the newly-created European Environment Agency in Copenhagen. R. is a part-time job and Osborn will continue with the DOE.

■ Roy Vagelos, 65, former chief executive of Merck, a director of McDonnell Douglas.

■ Tony O'Reilly, chairman of Independent Newspapers, to join the board of Jorjale, Portugal's largest newspaper group. Luis da Silva, chief executive of Filmes Lusomundo (parent of Jorjale), to join the board of Independent Newspapers.

■ Liam Healy, 66, chief executive of Independent Newspapers, chairman of Australian Financial Newspapers, Australia's biggest regional newspaper group, Ireland's Independent Newspapers has an indirect stake of around 25 per cent in AFN.

■ William C. Bousquette, senior vice president and chief financial officer of Texaco.

Commission must
define position

EUROPEAN COURT

The European Court of First Instance ruled recently against the Commission for its failure to define its position as required by the Treaty of Rome in respect of aspects of a complaint concerning alleged anti-competitive conduct.

In such situations the Community institution concerned is required by treaty rules to comply with the finding of the Court.

The original complaint was filed by Ladbroke Racing (Deutschland), which complained it had been refused broadcasting rights in West Germany for television pictures and commentary on French horse racing.

The refusal was the result of an agreement with the French supplier that the German rights holder was only permitted to supply such services to certain betting shops in Germany, which were operating at the time the agreement was concluded. The Ladbroke shops were pursuing an investigation under article 85. It could not therefore be regarded as having failed to act in respect of the article 85 allegations.

On the article 86 complaint, the CFI said that, though the Commission was not bound to adopt decisions confirming every alleged breach and was free to determine the degree of importance to be given to a complaint in the light of the Community interest, it was bound both to examine the evidence put forward to determine whether there was any anti-competitive conduct, and give the reasons for any decision adopted in that context.

Consequently, any decision to proceed only on the basis of article 85 should have been explained to the complainant. This was not done and it was thus clear the Commission had failed to act in this regard.

The CFI rejected the application for annulment, as there was no Commission act capable of being annulled. The request for an order for directions forcing the Commission to comply with the judgment was also rejected on the grounds that the Commission was under a treaty obligation to comply with such judgments of the Court.

Ladbroke said the Commission's attitude was unjustifiable and argued an exemption to the prohibition on anti-competitive agreements under EC competition rules could not be granted without the allegations of anti-competitive conduct contrary to article 86 being investigated first.

Ladbroke wrote to the Commission six times to ask it to define its position on the article 86 allegations. In response to one letter the Commission informed Ladbroke orally that, although there had been no decision to reject the article 86 complaint, the claim was without purpose as the competitive restrictions could be effectively remedied under article 85.

Ladbroke then wrote two further letters requesting that it be informed within two months of the Commission's reasons for failure to act under article 86.

Finally, Ladbroke formally requested the Commission to define its position on the complaint as a whole as required under Rome treaty rules. The Commission never replied and Ladbroke brought two actions against it for failure to act and for annulment of the implicit decision to reject its complaint.

The Court of First Instance found that it was clear that, by the time Ladbroke formally asked the Commission to define its position, the Commission was already pursuing an investigation under article 85. It could not therefore be regarded as having failed to act in respect of the article 85 allegations.

On the article 86 complaint, the CFI said that, though the Commission was not bound to adopt decisions confirming every alleged breach and was free to determine the degree of importance to be given to a complaint in the light of the Community interest, it was bound both to examine the evidence put forward to determine whether there was any anti-competitive conduct, and give the reasons for any decision adopted in that context.

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T-7/92 Ladbroke Racing (Deutschland) GmbH v Commission, CFI 22nd January 24 1994, BRICK COURT CHAMBERS, BRUSSELS

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OF "XENODOHAKES KAI TOURISTIKES
EPHIREISEIS DIM. KARABATOS A.E."
(HOTEL AND TOURISM ENTERPRISES
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The society anonymous under the title "ASTIKA AKINITA A.E." (43 Panepistimiou street, 105 64 Athens), under the capacity of special liquidator of the society anonymous "XENODOHAKES KAI TOURISTIKES EPHIREISEIS DIM. KARABATOS A.E." (HOTEL AND TOURISM ENTERPRISES DIM. KARABATOS S.A.) with head offices in the Varga Municipality of the province of Kalamata of the Prefecture of Messinia and by virtue of article 46a, Law 1892/1990 which was added to the provision of article 14, Law 2000/1991 and Resolution No. 3/1995 of the Nauplion Court of Appeal.

INVITES all interested parties to declare their interest for the purchase of the total assets of the company "XENODOHAKES KAI TOURISTIKES EPHIREISEIS DIM. KARABATOS A.E." (HOTEL AND TOURISM ENTERPRISES DIM. KARABATOS S.A.) which was established on 30.06.1986 with the object of exploiting the hotel "ELITE" (with head offices identical to those of the company), the establishment, operation and exploitation of other Hotel and Tourism enterprises in Greece and the exercise of related projects or enterprises, by submitting within a term of twenty (20) days from the publication of the present a non-binding declaration of interest in writing.

The assets of the enterprise under liquidation are comprised of a fully equipped hotel unit located in Kalamata, Prefecture of Messinia, South Peloponnese, in the Municipality of Verga (Navarinou Street), bearing the title "ELITE".

The hotel unit consists of an A' Class hotel with a capacity of 57 rooms, 94 beds (20 single rooms, 34 double rooms and 3 double suites).

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صكنا من الامه

The perpetrator of 'high style'

Last Saturday lunch-time I managed to escape from the Serpentine Gallery just as attendants were setting up a queueing system to control the crowds. The rooms were already filled to bursting with a shuffling throng, peering at some of the most famous images and objects in the history of modern art. Everyone knows the iron with the tacks, the metronome with the eye on it, the naked lady-come-violin, but even today their maker, the American artist Man Ray, remains a somewhat enigmatic figure.

It has become the done thing to do Man Ray down, lament his lack of seriousness, his "failure" to apply himself faithfully to just one of the disciplines - painting, drawing, sculpture, object making, film making and photography - he practised throughout his life. But it was surely just this versatility, this refusal to be pinned down by the limits of any medium, which made him such an archetypically modern artist, a role model, some say, for Andy Warhol himself.

When he moved to Paris from New York in 1921, Man Ray very quickly found himself occupying a position like that of Warhol some 50 years later, at the centre of the interlocking worlds of art, culture and style.

Earning his living doing fashion and advertising photography, Man Ray's innovative and experimental style quickly made him the chosen portraitist of the intelligentsia and their hangers-on, his studio a vital stop on the fashionable circuit, his portraits documenting a world which became the first epitome of high style. Here they are, cosseted in dim light, the prints perhaps smaller than expected, the sense of past time almost palpable, but the magic of fame still powerful: James Joyce, Gertrude Stein, Cocteau, Matisse, Braque, Picasso, the beautiful Lee Miller and Kiki de Montparnasse, still fascinating after all these years.

Man Ray had gone to Paris

to further his career as an artist, stilled in New York when his shift from Cézannesque landscapes and portraits to a new style of flat, mechanical shapes painted with an air brush was unenthusiastically received. But his rejection of a "retinal" for a "mechanical" approach to art was in perfect tune with the thinking of Marcel Duchamp, whom he had met in New York in 1916 and who welcomed him into the heart of Paris Dada.

As the Dada luminaries Tzara, Eluard, Aragon and Breton engaged in fierce verbal battles, the new arrival concentrated on establishing himself, and a few months later was having his first exhibition at Librairie Six. At the opening,

Lynn MacRitchie
reviews the work of Man Ray

he went off for a stroll with a stranger who turned out to be the composer Eric Satie. Passing a hardware shop, they purchased the pieces of what was to become perhaps the most powerful Dada object ever made, "Cadeau", 1921, the iron with the nails, a one-off joke which Man Ray was astonished to find himself asked to recreate for the next 50 years.

It is this speed of response, this sense of a clever mind teasing with ideas and skilful hands quickly turning of the inevitable plot of "the sticky science of painting", as he called it, which has led some to question the seriousness of Man Ray's work, in a way that that of his friend and fellow joker Duchamp has never been. But it was Man Ray who helped Duchamp with the construction of the "Large Glass", begun in their earliest days together in New York and seen here in the tiny print "Dust Raising", 1920. It was Man Ray, who took the photograph of the anthropomorphic egg which he titled "Man" in 1918, who

helped Duchamp with the machine as metaphor for modern life and modern sex, and who realised with him the expressive potential of everyday objects in a way which was to change the face of art forever.

But as Duchamp became elevated to his throne in the modernist Pantheon, his lifelong friend - they played chess together on the night Duchamp died - at first slipped back, his ability to operate successfully in many worlds ensuring his acceptance in none of them.

Certainly his enormous popularity now is undoubtedly based on his work as a photographer, which continues to influence directly the content of "style" which fills newspapers, magazines and television programmes. The room at the Serpentine which holds his paintings is noticeably quieter than those where the photos and objects are displayed.

But as a painter too he could be more than skilful, more than just inventive. Take "Le Beau Temps", the canvas which he kept visible on the painting balcony in his last studio in Paris. Here, among the orderly clutter, the objects gathered on every surface, this large image dominated, capturing forever a moment in 1939 just before the war which was to drive him back to an uneasy sojourn in the US.

Two strange figures stand on either side of a door. One grasps the handle, and as it turns, blood seeps from the keyhole. In the distance, visible through a window, a couple embrace, the eagle beside them abandoned, while on the surface above two strange creatures tear at each other in savage conflict. A sense of historic unease has been captured, its terrible significance clearly expressed. When it came to the mood of the moment, Man Ray, smart, cool, competent and quick, always knew how to deliver.

Man Ray: Serpentine Gallery, Kensington Gardens, London W2 3XA until March 12. Sponsored by the KCL Consultancy Group.



'Erotique Voilée' by Man Ray: even today he remains a somewhat enigmatic figure

Theatre Mad and her Dad

Y no have to hand it to a theatre company that states on the front of its programme, "If it's good - it's a miracle". Sadly, in this case, Miracle Productions tempt fate too far. Changing water into wine would probably be easier than turning *Mad and her Dad* into a happy event.

Paul Shand's musical certainly scores on originality. It is the first show about wallpaper this year, and probably the first show ever about pornographic wallpaper. Billed as a musical comedy, it confounds all your expectations by presenting you with a string quartet on stage, and it matches a whimsical story to the form of a through-song musical.

It is a bold experiment, clearly intended to be fresh and fun. But like many an adventure in interior decorating, the idea that seemed so good in the shop proved a terrible mistake once you see it at full stretch all over the walls.

The story is no daffier than many musical comedies. Madeleine is a lonely girl with a broken heart, but when she takes on a new lodger and a job in a wallpaper shop things look up. She and the wallpaper vendor are just embarking on a nice little romance when, a version of Mr Nice-but-Dim, realises that his latest designs in the nursery line are rather too explicit about animals' anatomy. All hell breaks loose, but there is a happy ending - the rude designer turns out to be Mad's long lost Dad. They are reconciled, the wallpaper becomes wildly fashionable and they are all in the money.

There are underlying themes: Mad's search for love and affection; the fact that her Dad, a relic from the 1960s, makes his values successful for the 1990s. But they are only touched upon and the storyline is bedevilled by a paper-thin script. Subject and form will pull in opposition directions, the restless, difficult score (beautifully played by the Lyric Quartet) seems at odds with the light comic tone, and the actors often have to wrestle with the music. They all have strong voices, but they really have to belt the words out, with the result that they often seem to shout.

Denise Black as Madeleine, a kind of Shirley Valentine figure, has an appealing presence and a powerful voice; Kate McKenzie sparkles as the mean, feline, money-grabbing lodger; Conrad Nelson rings plenty of humour out of the incomprehensible Tom and Tim Harvy, as Dad has a warm, rich voice and seems the most comfortable with the music. Under Glen Walford's direction they form a strong cast but they are fighting with the script that is neither full enough nor funny enough to carry off the plot.

There are some points where the show gets, and there is some lovely pastiche - the show ends with a vicious slanging match delivered as a courtly minuet. It is just beginning to grow on you - like the wallpaper - when it comes to a halt. The show has spirit and daring, but no amount of papering over the cracks can make it work.

Sarah Hemming

Lyric Studio, Hammersmith.

R.F.

Concert Tippett at ninety

an overview of his work. It would have plenty to tell posterity about the preoccupations of the later 20th century.

The opening concert on Sunday began with his early oratorio *A Child of our Time* - a title which might nearly have been used for the festival as a whole. It is probably Tippett's best-known large-scale work. Each decade since it was written in 1944, it has seemed as relevant as before. A week after news of the Holocaust, its universal theme of persecution and racial injustice has lost nothing in immediacy.

The score stands in relation to Tippett's output much as *Peter Grimes* (50 years old this year) does to Britten's. Both established their compos-

The legs have become shaky, but the intellect remains undimmed. It seems almost unthinkable that Sir Michael Tippett could have celebrated his 90th birthday just over a month ago. His ability to sense the rhythms of a younger generation and keep in tune with new fashions and ideas has been so vital that time should not have dared lay a finger on him.

This year he is - remarkably - planning to travel the world to participate in festivals of his music. In Britain the major Tippett retrospective fittingly comes from one of his most trusted supporters: Colin Davis, who will be conducting the London Symphony Orchestra's programmes in the "Visions of Paradise" festival (must every concert series have a title with allure these days?) at the Barbican.

Posterity should have no trouble placing Tippett. He is simply one on his own. The more he absorbs influences from outside, the more resolutely he is himself. There are the philosophical borrowings, the slang, the pop culture, the spirituals and blues, the sci-fi, the ethnic minority interests, but the final amalgam is so peculiar to him, it could only be Tippett. Perhaps a time capsule should be buried with

losing substance. His big baby of a Baron Ochs, roly-poly faced with an ear-to-ear grin, relies on character to carry him along.

The only newcomers to the cast were Leah-Marian Jones and Robin Leggate as the skilful Annina and Valzeract, Alan Opie's Fandral and Tilo Beltran, who made the most of his two minutes of glory as the Italian tenor.

Andrew Davis in the pit is also a known quantity, a Strauss conductor who appeals to the head more than to the heart. The brain notes that everything he is doing is right - getting precise playing, not wallowing in the slow music, keeping the orchestra down so that the singers can be heard - but the emotions refuse to respond. There is little Germanic warmth, even less tear-in-the-eyes Viennese sentimentality. It says much for the opera that the handkerchiefs were out at the end as usual.

Further performances ending March 8 (with some changes of cast).

Opera/Richard Fairman

Der Rosenkavalier

It is difficult to accuse the Royal Opera of penny-pinching. There was a time when Strauss's *Der Rosenkavalier* used to be regarded as a special treat reserved for festival conditions, so large is its orchestra and so great its demands on rehearsal time, but these days it comes round just like any other opera.

Admittedly, this season's revival at Covent Garden reassembles an already well-tried cast. The *raison d'être* of the performances was to have been Anne Sofie von Otter's first Octavian in London, but the Swedish mezzo has been suffering from a cold and cancelled on Saturday morning. Ann Murray, who had finished her run of *Cost Fan Tutte* the night before, had doubtless seen looking forward to a day off, instead it was back to the opera house, swapping her Armandi *Cost* costume for the Rosenkavalier's silver ruffled suit on the way.

It will have been difficult to tell that a substitution had been made. Ann Murray knows the production

well and Felicity Lott's Marschallin has more often than not been at her side. They are well-matched light voices, neither given to stressing any emotional gravitas in their roles. It seems fitting that such a shy and impressionable Octavian should be involved with a Marschallin less formally aristocratic than usual; their relationship feels on the shal-low side, a "Viennese masquerade" and nothing more, as Hofmannsthal says. Ann Murray was in good voice, showing no tiredness at taking on a hefty additional engagement. Felicity Lott lacks Straussian weight of tone, but still floats the opening of the trio delectably.

Barbara Bonney was in the production when it was new and ten years on is still shiningly pure-toned, once past some fluttery top notes early on. Her Sophie is an immature chatterbox with a will of her own, not the usual demure wallflower. Aage Haugland was also in the 1984 performances, but his voice is now

● The Marriage of Figaro: by Mozart. Conducted by Stefan Soltesz, produced by Götz Friedrich; 7 pm; Feb 7, 9

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● Igor Stravinsky Plays Mendelssohn and Tchaikovsky: Simon Phillips conducts the English Chamber Orchestra and violinist Igor Oistrakh; 7.30 pm; Feb 11
● Philharmonia Orchestra: with Violinist Kyung-Wha Chung and conductor Kurt Sanderling plays Beethoven and Bruckner; 7.30 pm; Feb 8
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● Rigoletto: Jonathan Miller's updated version of Verdi's opera where the duke is a mafia boss; 7.30 pm; Feb 10, 13
Royal Opera House Tel: (0171) 340 4000
● Così Fan Tutte: by Mozart. A new production directed by Jonathan Miller. Conductor Evelino Pido. In Italian with English subtitles; 7 pm; Feb 8
● Der Rosenkavalier: by Strauss. Conducted by Andrew Davis, directed by John Schlesinger. Soloists include Felicity Lott/Anna Tomowa-Sintow as Princess von Verdenberg; 6.30 pm; Feb 7, 11
● Gieseler music by Adolphus Adam. A Royal Ballet production choreographed by Marius Petipa after Jean Coralli and Jules Perrot and produced by Peter Wright; 7.30 pm; Feb 9
● La Bohème: by Puccini. Conducted by Simone Young/ Paul Wynne Griffiths, directed by John Copley. Soloists include Angela Gheorghiu/ Amanda Thane as Mimì and Maria McLaughlin/ Judith Howarth as Musetta; 7.30 pm; Feb 10

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● The Children's Hour: by Lillian Hellman, directed by Howard Davies; 7.30 pm; Feb 9, 10, 11 (2.15 pm)
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● The Merry Wives of Windsor: by Shakespeare. Terry Hands directs his first production at the National. With Diana Quilty as Falstaff. Brenda Bruce as Mistress Quickly and Geraldine Fitzgerald as Mistress Ford; 7.15 pm; Feb 7, 8, 9 (2 pm)

■ NEW YORK OPERA/BALLET
Metropolitan Tel: (212) 362 8000
● Cavalleria Rusticana / Pagliaccio: by Mascagni/Leoncavallo. Production by Franco Zeffirelli, conductor Christian Bader; 8 pm; Feb 7, 10
● Il Barbiere di Siviglia: by Rossini. Produced by John Cox, conducted by David Atherton; 8 pm; Feb 9, 11
● La Traviata: by Verdi. Produced by Franco Zeffirelli, conducted by John Flore; 8 pm; Feb 13
● Turandot: by Puccini. Produced by Franco Zeffirelli, conducted by Nello Santi; 8 pm; Feb 8, 11 (1.30 pm)
THEATRE
Circle in the Square Tel: (212) 239 6200

● Uncle Vanya: by Chekov. Cast includes Tom Courtenay, Amanda Donohoe and James Fox; 8 pm
Joseph Papp Public Theatre Tel: (212) 598 7150
● The Merchant of Venice: by Shakespeare. Directed by Barry Edelstein, and with Ron Leibman playing Shylock; 8 pm (Not Mon)
Perry Street Tel: (212) 307 4100
● Dylan Thomas: Reum Journey and The Truman Capote Talk Show. Two one man shows written and starring Bob Kingdom. Direction by Anthony Hopkins and Kevin Knight; to Feb 11

■ PARIS CONCERTS
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● Jorge Chaminé: baritone with pianist Maria Françoise Bucquet plays Tchaikovsky, Borodin and Glinka; 8.30 pm; Feb 7
GALLERIES
Musée d'Orsay Tel: (1) 45 48 11 11
● James McNeill Whistler: exhibition of works; from Feb 8 to Apr 30
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Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● La Damnation de Faust: by Berlioz. Conducted by Myung-Whun Chung and produced by Luca Ronconi. Soloists include Béatrice Uria-Monzon as Marguerite, and Thomas Moser/Gary Lakes as Faust; 7.30 pm; Feb 9, 12 (3 pm)
● Lucia di Lammermoor: by Donizetti. A new production by Andrei Serban. Maurizio Benini and Roberto Abbado (from April) conduct the Orchestra and Chorus of the

Paris National Opera; 7.30 pm; Feb 8, 11

■ ROME CONCERTS
Teatro Olimpico Tel: (06) 323 4890
● Festival Orchestra of Brescia and Bergamo; with pianists Gerhard Oppitz, Bruno Camino and Antonio Ballista. Agostino Orizio conducts; 8 pm; Feb 9

■ WASHINGTON CONCERTS
Kennedy Center Tel: (202) 467 4800
● National Symphony Orchestra: with violinist Cho-Liang Lin. Paavo Berglund conducts Kokkonen, Tchaikovsky and Brahms; 8.30 pm; Feb 9, 10
GALLERIES
Corcoran Tel: (202) 638 3211
● Family Lives: photographs by Tina Barney, Nic Nicolson and Catherine Wagner. Exhibition explores the power of photography to subvert or reinvent our experience and understanding of events and relationships; to Feb 13
OPERA/BALLET
Washington Opera Tel: (202) 416 7800
● Semele: by Handel. Conductor Martin Pearlman. Roman Terleckyj directs a Zack Brown production; 8 pm; Feb 9
● The Bartered Bride: by Smetana. Conducted by Heinz Fricka. In English; 8 pm; Feb 8
● Vanessa: by Samuel Barber. Director Michael Kahn, conductor Christopher Keene; 8 pm; Feb 13 (7 pm)

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● L'italiana in Algeri: by Rossini. Conducted by Ion Marin/Carlo Rizzi, educed by Jérôme Savary; 7 pm; to 8, 11

AUTOMOTIVE SUPPLIES

FOR SALE

After the opening of a US liaison office in Hanoi and with \$10bn in inward foreign investment commitments under its belt, Vietnam ought to be basking in its newfound international recognition.

And so, on the surface, it appears. Vietnam plans to join the Association of South-east Asian Nations this year. Mr Nguyen Long, the country's trade ambassador, says it is working hard for membership of the new World Trade Organisation. Vietnam has attracted the attention of big multinational investors such as Ford Motors, Daimler-Benz, BHP of Australia and Koppel Corporation, the fast growing Singapore conglomerate.

Yet officials of the World Bank and the International Monetary Fund who monitor the country's progress admit the popular image of Vietnam as the latest Asian tiger-in-waiting is not yet fully credible. Some of the most difficult parts of its economic restructuring remain to be tackled, they say.

Compared with 10 years ago when there was hyperinflation, widespread starvation and an exodus of boat people, the situation is much improved. Set against other state-planned economies in transition to a market system, Vietnam has done remarkably well, especially considering that it received no western help at all until a couple of years ago.

Growth last year was nearly 9 per cent, and if inflation edged up to 14 per cent, that was partly the result of higher food prices in the wake of heavy monsoon rains. With such good statistics, it is easy to overlook that Vietnam remains a very small economy - total output is only \$15bn - and a very poor one, with a per capita income of just \$200.

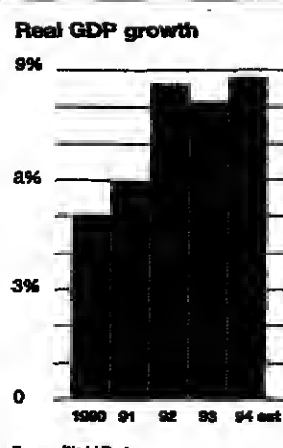
Even with annual growth rates of about 10 per cent, it would take Vietnam a generation to catch up with the living standards enjoyed by Thailand now. That country will hardly have stood still in the meantime.

The danger, international officials say, is that the government - flushed with all the attention it has managed to generate - will try to run before it can walk. There is little purpose, for example, in proposals to launch a stock market in a country as poor as Vietnam when there are few large companies to list and no established accounting skills to measure their performance.

Vietnam needs more reform, not money, says Peter Montagnon

Weak claws of tiger cub

Vietnam: still a long way to go



Source: World Bank

GDP per capita 1993 (\$)	
Vietnam	200
India	290
Pakistan	420
China	460
Indonesia	760
Philippines	820
Thailand	2,000
Malaysia	3,400
South Korea	7,500
Taiwan	10,300
Singapore	17,300
Hong Kong	18,200

Source: Deutsche Bank

Similarly, Vietnam's plans to tap the international bond markets look over-ambitious. Vietcombank, the state bank which finances foreign trade, has awarded a mandate for a \$50m to \$75m floating rate note to Standard Chartered. When and if the bond is launched, it will be a test run for a bigger issue of up to \$200m for the state Treasury itself.

The leaking of the Vietcombank mandate provoked a rush of interest from investment banks anxious to help underwrite the issue. But international officials say borrowing in the bond market could be counter-productive when Vietnam is in the process of rescheduling some \$800m of commercial bank debt, owed mainly to Japanese banks.

The rescheduling will effectively involve writing down the debt to half its nominal value. The banks would hardly agree to take this loss if Vietnam was borrowing freely elsewhere.

Besides, foreign finance is

line the disbursement process, Mr Vo Van Kiet, the prime minister, has taken personal responsibility for projects in excess of \$40m, but the difficulties experienced by foreign investors and donors go to the nub of the problems facing Vietnam.

Vietnam has made great strides forward by liberalising the foreign exchange regime, agriculture, and prices that were previously fixed. From being a net importer of rice in 1988, it has become the third largest exporter in the world after the US and Thailand.

Vietnam's fiscal deficit was cut last year to about 3 per cent of gross domestic product from over 6 per cent in 1993, and is expected to be little more than 3 per cent again this year.

But the country has been far less successful in creating the institutional framework in which a free market economy can flourish. The physical infrastructure is poor; the banking system functions badly even at the level of basic payments transmission; fundamental decisions remain to be made on the dismantling of state enterprises and the unwinding of subsidies.

On top of that, Vietnam needs further legal reform to ensure that predictable rule of law prevails. Only when these sorts of reforms are complete will the country be able to make efficient use of the foreign capital at its disposal.

The encouraging point, says Deutsche Bank's Mr Tran, is that Vietnam's leadership recognises the need for restructuring. Strong growth and international economic ties offer Vietnam "the best security guarantee", especially with neighbouring China becoming more powerful, he wrote in a recent report on Vietnam.

Whether the leadership can deliver is another matter. Mr John Brinsden of Standard Chartered, a banker with five years' experience in Vietnam, warns that the central government may have difficulty pushing reform down through the lower levels of the bureaucracy. "As you go down the pecking order, it's apparent that the socialist thinking is quite strong."

The biggest worry remains whether the political will to expedite reform exists at all levels of government. There is little comfort in the old Vietnamese saying that the emperor's writ stops at the village gate.

Twisting tales of rapacity



The help-yourself executives of Britain's privatised utilities are giving capitalism a bad name. You know that. I know that. They know it too. Yet they continue to behave as if there was no public disapproval. This is self-regard run riot. Perhaps they do not comprehend the way the wind is blowing. Let me describe it for them: the drip-drip of stories of greedy directors continues to be next to impossible for the Conservatives to recover public support.

Mr Gordon Brown is well aware of this. Labour's shadow chancellor said yesterday that, since privatisation, share options worth over £23m have been issued to directors and senior executives of National Power and PowerGen. We sort of knew that before, but the latest numbers are no less potent for being unsurprising. Mr Brown's political project followed the publication of a report by Incomes Data Services, an independent research company, reminding us that the chief executive of PowerGen enjoyed a paper profit of £1.2m from a single grant of options last year.

Five of his fellow directors collected similar notional amounts of between £831,190 and £783,275. The electricity company will naturally explain that stringent performance tests are applied. These are set out in the annual report. Such self-set hurdles are rarely difficult to clear. IDS notes that frequently used benchmarks, such as growth in earnings per share, are easily reached. The common sense view is that former public employees on once modest salaries have not been transmogrified into supermen by privatisation.

We know the truth. When it

comes to previously state-owned quasi-monopolies, or duopolies, inflated total remuneration packages are regarded by the average citizen as high-way robbery. If this or that chief executive of an easily managed utility needs bags of gold to the him down, let him prove it. He (I count no shes in this category) could publish details of any tempting offers received from rival or equivalent companies. If he is shy, he could leave a discreet file with the librarian at the House of Commons.

In the absence of such evidence we may take it that, like the celebrated Mr Cedric Brown of British Gas, Mr Ed Wallis of PowerGen, be of the £12m, is the willing recipient of an unaccountably generous wind-fall. As might you or I, such gentlemen are grasping with both hands the bounty delivered to them by a kindly fate.

In electoral terms this says one thing: those in a position to lock away for themselves, do. The consequence could be the return of a Labour government, perhaps in time to set the Budget of November 1996. Chancellor Brown - Gordon B, that is, not Cedric - might then find the public positively willing him to impose extra taxes on the fortunate functionaries of the former gas, electricity and water boards. He would therefore have to raise taxes on everyone on very high earnings.

You may disagree. Labour is so moderate these days, my dear. Nothing has been said about piling imposts upon the rich, certainly not until the pipes squeak. All that Mr Brown or the party leader has indi-

cated is that there will be a system of "fair" taxation. True, but surely that is a level nothing unless it is that a level will be set above which the highest rate of income tax will be increased. In some Labour circles this is the "£54,000 question", but the experience of the April 1992 election campaign should rule out so low a threshold. Remember? A "fair" alternative budget was published shortly before polling. It would have increased taxes on every income above the low twenty thousands. Labour lost.

The people's party is in no mood to take chances next time. If not

£54,000, then where might the line be drawn? There is a presentational difference between a six-figure salary and earnings within five figures. Most voters would regard an increase of, say, 10p in the pound in tax on income above £100,000 as just. It would still leave the top rate 10p below where it stood under the Conservatives until 1988.

This, combined with a Clintonesque requirement that no high earner should pay less than half his or her income in tax, would rule out various avoidance devices such as offshore havens and trusts.

Mindful of 1992, the shadow chancellor is not saying anything about increases in the marginal rate of personal taxation. His present purpose is to focus on what Labour calls the "undeserving rich". He therefore proposes the direct election of independent remuneration committees by shareholders, a notion similar to that put forward by Mr Jonathan Charkham in yesterday's

FT. In Mr Brown's view, boardroom remuneration should be voted on at the annual general meeting.

Labour is pondering whether executive pay should be disallowed as an above-the-line cost to the company unless given prior approval by shareholders. Pay not so approved would then be deducted from distributable profits. Options would be taxed as income when exercised, not as capital when sold. This would deny the holder the opportunity to use the capital gains allowance, or to transfer the shares to a spouse who pays tax at a lower rate. As to the utilities, regulators would be able to cap prices where they considered pay rises to be excessive. There is also talk of a windfall tax on utility profits.

The above possibilities are mild when set against the outrage felt by some people at the unearned executive salary increases awarded by buddy committees chosen by boards of utilities to oversee their own remuneration. We are not supposed to talk about injustice nowadays, but when bonuses and share price-related options are pumped up by reducing the number of jobs in a company, or, worse, by sacking one tenth of the workforce after another, the ordinary voter knows something is ethically awry.

Come to think of it, Labour should wish the power and water chiefs well. Every new twist to the tale of their rapacity adds to the perception that the Tories have lost touch with ordinary folk. An unbreakable thread binds such stories to news about political corruption. Perhaps the people's party should cast aside all thought of curbing Messrs Cedric Brown and Ed Wallis and their ilk. If Labour wins, and the new prime minister knows what gratitude is, he will have them made earls and barons.

If this or that chief executive of an easily managed utility needs bags of gold to tie him down, let him prove it

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to "line"). Translation may be available for letters written in the main international languages.

Stupidity of idea to overrule decisions of European Court

From Mr Nicholas Forwood QC.

Sir, The European Court of Justice continues to be a prime target for attack in the run-up to the 1996 inter-governmental conference. At a meeting at Brasenose College, Oxford, last September, critics of the court condemned its ruling in *Francovich* as judicial legislation, and called for the court's powers to be curtailed.

Several ministers in Whitehall are thought to be sympathetic to the after-effects of the UK's failure to implement fully the 1977 Acquired Rights directive. The latest idea, reported in the FT article "Government to demand curb on European Court" (February 2), is a UK government proposal that would "allow decisions of the European Court to be overridden by a majority vote in the Council of Ministers". It is also possibly the stupidest.

It is unclear just what deci-

sions of the court will be liable to be overruled in this way; whether the overruling will be only prospective or retrospective; and whether it will seek to take away from litigants in the instant case, or others whose claims are pending, the relief that they were entitled to on the law as it stood.

Presumably, the government has in mind judgments which interpret a Treaty article or Council secondary legislation in a way the UK disagrees with. But this Pandora's box, once opened, will presumably be open to all. Will other member states similarly be able to invite the Council (by qualified majority) to overturn a Court judgment that has adopted an interpretation for which the UK was contending? Will this new mechanism apply to all Treaty provisions and even secondary legislation which at present requires unanimity? If so, perhaps the UK's initiative

should be welcomed by Euro-enthusiasts as providing a way in which majority voting can overcome British (or other states') obstinacy in areas where at present unanimity is required.

Europe's legal order has enough problems at present without this *Looking Glass* nonsense. When I use a word, said Humpty Dumpty in a rather scornful tone, it means just what I choose it to mean, neither more nor less. "The question is," said Alice, "whether you can make words mean so many different things." "The question is," said Humpty Dumpty, "which is to be master - that's all!" (Through the Looking Glass, c.vi, cited with approval by Lord Atkin in *Liversidge v. Anderson* [1942]).

Nicholas Forwood, *Brick Court Chambers, 15/19 Devereux Court, London WC2 3JJ, UK*

Wrong view of dietary requirements

From Ms Margaret Fox.

Sir, Barry Groves's article "Meat eating myths" (February 4/5) is shocking not because of the opinion expressed - it is a common one - but because of the large degree of ignorance he shows about human dietary requirements.

The myth of protein-combining was debunked some years ago. Human beings get adequate protein from a varied diet and it is now known that not only soy, but grains such as quinoa, contain the eight complete amino acids needed. B-12 is available from yeast,

miso and other such sources.

In fact, most people eat too much protein. Doctors and even government officials are urging people to eat more grains, fruits and vegetables and to cut down on animal fats - which make up most of the calories in meat and dairy products.

Vegetarian and vegan diets have been shown not only to be healthy, but to be healthier than the diets of meat-eaters. Perhaps small amounts of meat do little harm to a person, but they are certainly not necessary for good health. Nor,

in our modern agricultural age, is meat necessary for survival.

People eat meat because they are accustomed to it and like the taste. Whether this is a moral thing to do, considering that cows, sheep, pigs, poultry and fish are all vertebrates that feel pain in exactly the same way we do, is a bigger issue. But Groves is very mistaken when he says it is the vegetarians who are selfish.

Margaret Fox, *5 Moscow Road, London W2 4AJ, UK*

Towards immortality

From William T.A. Mathieson.

Sir, In the weekend FT books section (February 4/5), Mr Joe Turner reviewed *The Physics of Immortality*, a "fat book" by Frank J. S. Cooper, a hypothetical Omega Point.

I would advise that Mr Turner read up on Pierre Teilhard de Chardin, philosopher and paleontologist, best known for his direct involvement in the discovery of the Peking Man's skull near Peking in 1929 and least known for his theory that man's evolution was moving forward towards an Omega Point, the "ultimate conver-

Badly served on pensions

From Mr Maryn Kohler.

Sir, Richard Disney and Paul Johnson (Personal View, February 3) were right to draw attention to the withering away of the State Earnings Related Pension Scheme (Serps), and the implications that will have for the incomes of UK pensioners in the future.

A point additional to their article is that the pensioner population is predominantly female - 60 per cent of people above 65 are women. With a greater incidence of part-time work, and with longer career breaks, women are not well served by many pension schemes, and Serps (particularly before the 1986 reforms) has offered the prospect of some security in retirement. As we dismember Serps further, we risk seeing future gen-

erations of women pensioners dependent on basic level of state provision.

Serps was one scheme which ensured that people, who might not otherwise have had the opportunity of volition to take out some other pension provision, at least made some realistic arrangements for their retirement. As we see the costs of community care and other services becoming increasingly the responsibility of the individual, we should be creating better incentives for people to save for their older age, not a policy which minimises the value of pensions.

Maryn Kohler, *head of public affairs, Help the Aged, St James's Walk, Clerkenwell Green, London EC1R 3BE, UK*

Unanimity only answer for Cyprus

From Sir Keith Speed MP.

Sir, Your leader, "EU and Turkey" (February 2), fails to make it clear that the attempts by Greece to exert leverage on the Turkish Cypriots via Turkey are misconceived and dangerous, and should receive no support from European nations.

In 1960, leverage was exerted upon both the Greek and Turkish Cypriots to make them accept a compromise constitution about which they both had grave reservations. Within three years the Greek Cypriots had repudiated the agreement, thrown the Turkish Cypriots out of all their positions in the state, and commenced 11 years of persecution which ended only when the Turkish Cypriots were rescued by Turkey in 1974.

The UN secretary-general is wise enough to understand that no settlement will work unless it is approved by both the peoples of Cyprus in separate referendums.

Attempts by Greece to use its position in the EU to force a settlement will not succeed, but if they did they would cause further bloodshed in Cyprus, and even war between Greece and Turkey.

Keith Speed, *chairman, Parliamentary Friends of Northern Cyprus, House of Commons, London SW1A 0AA, UK*

Paying for tax advice

From Mr Nicholas Andrew.

Sir, By way of background to the Kingfisher payment of Sir Geoffrey Mulcahy's personal tax bill ("Kingfisher pays Mulcahy personal tax advice bill", February 4/5), my experience is that, during the last five years, the US practice for directors of large public companies to have their personal tax fees paid by the employing company has become far more common in the UK.

However, except in the case of chief executives and some chairmen, it remains the case that, while tax compliance costs are met often directly by the employing company, fees for specialist advice, such as inheritance tax or capital gains mitigation, are paid for more frequently by the director on an individual basis.

Nicholas Andrew, *chartered accountant, 10 Orange Street, Haymarket, London WC2H 9DQ, UK*

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FINANCIAL TIMES

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Tuesday February 7 1995

Strain on Polish democracy

As the charismatic leader of Poland's anti-communist Solidarity movement, Mr Lech Walesa won widespread admiration. He played a crucial role in the process which ended communist rule in Soviet-occupied Europe in 1989 and which culminated in the integration of the Soviet Union itself. History will remember him as one of the most significant figures of the 20th century.

As president of the democratic Poland he did so much to bring about, however, Mr Walesa has proved deeply flawed. His undoubted qualities of courage and cunning and his intuitive understanding of ordinary people's desires and fears made him an effective saboteur of communist rule. But over the last five years he has misused those talents to undermine democratically elected governments and sow confusion among the electorate.

In large measure Mr Walesa is responsible for the return to power of political parties with their roots in the communist past at free elections in September 1993. He paved the way by his attacks on the first Solidarity government led by Mr Tadeusz Mazowiecki and his populist criticism of the "shock-therapy" economic reforms introduced by Mr Leszek Balcerowicz, the finance minister.

His attacks on the Solidarity government were motivated largely by his desire to return to centre stage as the elected president of Poland. He won the December 1990 presidential elections, but destroyed the Solidarity

government in the process.

Since then Poland has gone through four government crises accompanied by similar backstage intrigues from Mr Walesa and his shadowy advisers. As a result the country has acquired a reputation for political instability which has delayed privatisation, frustrated would-be foreign investors, and disillusioned Polish voters.

With all his accumulated prestige, Mr Walesa could have been a great president, taking the lead in strengthening the institutional base to underpin post-communist rule. Instead he has shown himself incapable of understanding that democracy is based on the rule of law and respect for democratic institutions. His declared role model is Marshal Pilsudski, his political style, ironically, is that of the all-powerful communist party first secretary, hectoring and intimidating behind the scenes.

Now, in pursuit of re-election in November, he is again destabilising a democratically-elected government in the hope of gaining anti-communist votes. He may succeed, in the narrow sense of achieving a change of prime minister and improving his chances of re-election. But such a victory would do nothing to resolve the fundamental struggle between a president with Gellist-style powers and the elected government.

Mr Walesa's actions are a personal power play, but they also threaten Poland's preparations for eventual membership of Nato and the European Union.

Generating rivals

The shadow of the Monopolies and Mergers Commission hangs over the pathfinder prospectus for National Power and Powergen, the two UK electricity generators, published yesterday. The document, which sets the terms for the sale of the government's remaining 40 per cent stake, warns that the generators could be referred to the MMC on two separate counts.

For a start, they have made little progress in divesting capacity to competitors, as Prof Stephen Littlechild, the regulator, has ordered them to do. Ten days ago - in an unexpected statement which delayed the prospectus - he also warned that he would monitor the generators even more closely because wholesale electricity prices had hit record levels. Prof Littlechild's credentials as an independent regulator are clearly strengthened by his lack of inhibition in making such remarks ahead of the sale. But it is unclear whether his tough talk will lead to action.

A year ago, the regulator told the generators to sell 6,000MW of plant, equivalent to six large stations or 10 per cent of England's generating capacity, by early 1995. So far, nothing has been sold. The generators argue that they have not been offered adequate prices and would short-change shareholders if they sold too cheaply. But potential bidders such as ICI, the chemicals group, say that the generators' asking price is too high.

The divestment matters because it offers at least a partial remedy

for the failure to introduce adequate competition at the time of privatisation. The two generators currently own virtually all the coal and oil-fired power stations, which means they have great control over wholesale prices and those of longer-term contracts.

Recent weeks have heard a rising chorus of complaints, particularly from chemical companies, that prices in the wholesale "pool" are too high. The surge in prices has been caused largely by the temporary closure of two of Nuclear Electric's nuclear reactors which normally supply much of the national grid's baseload requirements. But in the absence of greater competition, the regulator is right to pay close attention to these complaints and to the level of pool prices.

For their part, the generators should now make more vigorous efforts to sell capacity, and should be seen to do so. On his side, Prof Littlechild should show no hesitation in recommending referral to the MMC if they fail to do so.

If the MMC does investigate, ministers should pay close attention to its views. Last year they refused to back an MMC's recommendation that British Gas be broken up. However, the need for greater competition in electricity is clear. The government failed to achieve this in the initial privatisation, and industry has paid the price. But the system of independent regulation stands a chance of correcting those defects. The regulators should be supported in doing so.

Nolan committee

The UK government's submission to the Nolan committee on standards in public life is breathtaking in its complacency. From the presentation yesterday by Mr David Hunt, minister for public service, one wonders why the government felt it necessary to establish the inquiry in the first place. The challenge for the Nolan committee is not to lose touch with public opinion and the reality that standards of conduct are a cause of concern. They will continue to be so unless real changes are made to rules governing appointments to quangos and conflicts of interest affecting those holding public office.

Mr Hunt's evidence centred on public appointments and the operation of appointed quangos, but in the course of a press conference he touched on the other issues under consideration by the Nolan committee. In effect, he ruled out any significant changes. He rejected "any inference that failings in integrity and probity" had resulted from the dramatic rise in the budgets and responsibilities of quangos in recent years.

The government's recommendations extend no further than clearer job descriptions and the wider advertising of posts. The idea that appointments to public bodies should routinely be submitted to advisory bodies is rejected.

Mr Hunt was similarly dismissive of the idea - supported by former Conservative ministers appearing before the Nolan committee last week - that new curbs might be needed on the business interests acquired by ministers

after leaving government. He appeared to put business directorships on a par with journalism and the writing of memoirs in this regard. Instead, Mr Hunt raised the spectre that public spirited individuals might be reluctant to serve on public bodies, or even as ministers and MPs, if further curbs were imposed on appointments and outside interests.

To the extent that such reluctance is evident - and there appears to be no shortage of individuals competing to enter Parliament and government - it is an argument for better remuneration of office holders. It is not a reason for failing to address concerns about ministers and civil servants moving through "revolving doors" to companies with which they had close connections in office. And it is irrelevant to the issue of appointments to quangos, except insofar as a minority of such posts carry significant salaries, making transparency in appointments all the more important.

The Nolan committee should not be deflected by Mr Hunt from tackling these issues. It needs to consider the merits of a "cooling-off period" for former ministers before taking appointments, particularly in industries with which they had close connections in office. And there is a strong case for some form of advisory body to monitor quangos appointments on a routine basis. The government's claim that such bodies would lack ministerial "accountability" rings hollow if the abuse of ministerial patronage is the point at issue.

As international banks nurse bruises from recent upsets in lending money and trading in financial markets, few aspects of their business seem a safe bet any more. Yet banks remain excited about the profits to be made by managing the cash of wealthy people invested offshore.

International private banking used to be the preserve of long-established specialist banks in European countries such as Switzerland and Luxembourg. Customers who had inherited wealth wanted to protect it against inflation or high taxes in their own countries. It was deposited in secret accounts, and invested mainly in safe assets such as European government bonds.

But as the number of people around the world who might want a private bank has grown, the big banks have moved in. US banks have competed with old-established European private banks for a decade. They are now stepping up their investment, and being joined by large European and Asian banks as the potential of private banking sinks in.

The rationale for moving into private banking is simple: the number of millionaires in the world is growing fast. Bankers identify two groups of such people.

The first comprises members of the "baby boom" generation in the developed world who are coming into large sums of money built up in property and other assets by their parents. Rich people in Europe and the Middle East are estimated by Chase Manhattan, the US bank, to have some \$1,000bn (\$1,500bn) in cash and liquid assets.

In the second are entrepreneurs in regions of rapid economic growth. Latin America and south-east Asia account for a further \$1,000bn of private wealth, a figure that is growing fast. This group, in particular, means banks foresee decades of growth in private banking, unlike other activities such as lending money.

More millionaires were probably created in China last year than in the US and UK together, says Mr John Stiles, executive vice-president of Merrill Lynch, the US investment bank. "The market is growing so rapidly you only need a small share to make it worthwhile," says Mr David Went, who heads Coutts & Co, National Westminster Bank's private bank.

Many entrepreneurs in emerging economies use private banks to invest some of their wealth abroad. Rather than keeping all their money tied up in the equity of their own businesses, risking local volatility such as the recent crisis in Mexico, they want to spread a share of their wealth in other markets.

Such entrepreneurs also want the trust and taxation advice services offered by private banks. By putting their wealth in an offshore trust, they reduce the risk of it being confiscated by their domestic government. "People from the emerging markets want the protection of trusts," says Mr Went.

The rush of many of the world's big banks into international private banking might be expected to rattle the Swiss, who have long dominated this high finance. Statistics are hard to come by in this most discreet of businesses, but Swiss banks collectively are believed to hold more than a third of the money that the world's rich keep outside their own countries.

Private banking is a highly profitable business for the Swiss. Ask a director of any of the big three Swiss universal banks how important his private banking business is, and the answer is always the same. Commercial and investment banking may be interesting from time to time, but he would go to any lengths necessary to preserve his private banking business.

For many other Swiss banks, private banking is their only business, and everything they do, right down to the carefully contrived blend of opulence and frugality in their reception rooms, is designed to appeal to the sensitive -

Contest to guard the nest-egg

As the number of very rich people rises worldwide, more banks are offering private banking services, says John Gapper

Apart from the underlying growth in the market, private banking has several attractions for international banks and brokers alike. It costs less than retail banking. Banks that have tried to expand branch networks outside their home countries have often found it hard to make adequate profits. It is cheaper to build a global private bank because it needs relatively few branches. Coutts has only 51 offices around the world, compared with NatWest's 2,431 UK and 330 US retail branches.

Private banking requires less day-to-day capital than making loans, or underwriting securities. Private banks act mainly as managers of individuals' funds, rather than risking their own money. This means that private banks do not have to set aside capital to cover the risk of bad loans, and so have a better chance of giving their shareholders a high return.

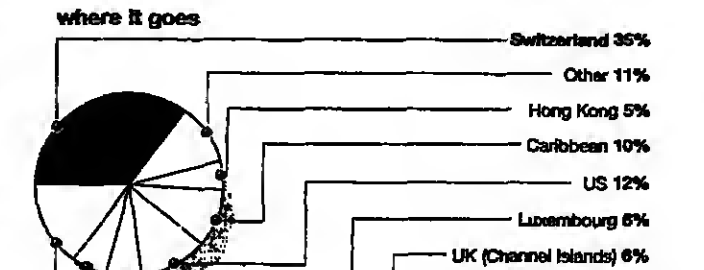
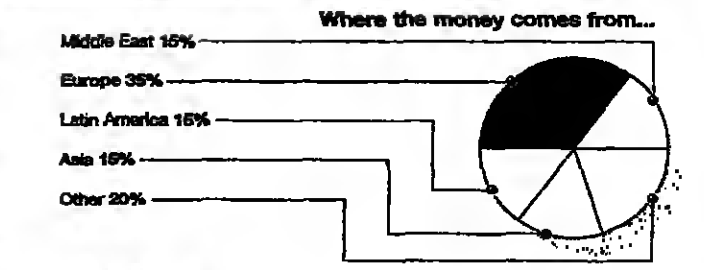
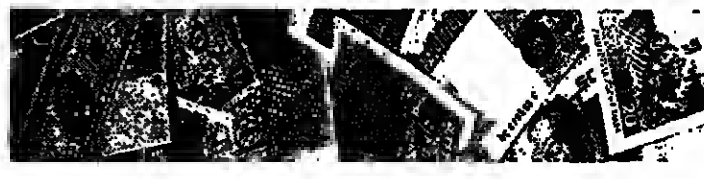
Revenues from private banking tend to be more consistent than those from lending money or financial trading. Lending revenues are cyclical, while trading revenues are volatile. The fees for managing clients' investments do not fluctuate as much, although the sharp downturn in financial markets last year limited growth in fees.

Furthermore, the fees for managing individuals' assets are proportionately larger than for managing institutional funds. Pension funds, for example, charge fees at about 1 per cent of assets under management - some four times the level of fee typically paid by a UK pension fund for basic management. This implies that the market for private banking is worth \$20bn in revenues each year.

Those fees are not as exposed to competition as those in other forms of fund management. Institutions can shop around for a fund manager by looking at published performance data. Private banks do not publish equivalent figures and argue that they compete more on quality of personal service than fund management performance.

In addition, the gains that many private banking customers make from taxation and trust advice can outweigh any loss of potential returns due to poor fund management. One banker cites a case

Offshore private banking: a haven for millionaires



Source: Chase Manhattan Private Bank, 1993

where a client made \$3m from the restructuring of his estate to protect him from tax. "If we miss a fund management performance benchmark by a point or two after doing that for him, he is not going to be too worried," he says.

Despite these attractions, private banking is becoming more complex. Customers are becoming harder to please, and globalisation of financial markets makes it more costly. The most significant change is in the attitude of the newer clients from growing economies: unlike the traditional private banking customers, they are not satisfied just to have their assets protected against inflation, but seek higher returns.

"The new money, entrepreneurial wealth, has a higher risk threshold," says Mr Conrad Elts, head of private banking for Credit Suisse in London. This means having more skilled fund managers, and knowledge of high-growth markets such as Latin America. These demands are raising private banking overheads from formerly modest levels.

As the cost and complexity of private banking rise, the amount of funds that a bank must manage to allow fees to cover overheads also grows. One US banker estimates that a private bank must manage at least \$15bn in funds to make good returns. Big banks argue that these trends will force smaller banks out of the market, or into alliances.

Mr James Zeigon, Chase Manhattan's global head of private banking, says smaller banks may either merge or sell out as they become more vulnerable. He argues private banks with good reputations in different countries may also seek alliances, possibly through cross-shareholding, to protect themselves against large competitors.

Many of them are now betting they will be one of the global players that will emerge from current growth. Yet even with the growth in millionaires, not all of them can succeed. One of the biggest barriers is a shortage of trained private bankers. They not only have to invest money well, but cosset a group of highly demanding clients.

"One huge risk in private banking is failing to hire the right people," says Mr Went of Coutts, who estimates he will have to recruit up to 150 private bankers a year for the next six years. Such levels of demand have led to escalating rewards. "You cannot pay someone \$40,000 a year if he is going to stand alongside millionaires," says one banker.

Competition presents another risk: that banks will not be selective about clients. Private banks are an obvious place for criminals to deposit cash, and a bank that was publicly implicated in laundering criminal funds could suffer enormous damage. "Being stuck with Noriega's [the former Panamanian dictator] money is the nightmare," says Mr Went.

But the biggest risk is that the firms now pouring capital into private banking will fail to master it. Many commercial banks are inexperienced in fund management, while investment banks are accustomed to selling standard products rather than giving tailored investment advice. "A broker is a broker, no matter what uniform he wears," says one banker.

For these reasons, private banking could yet prove a more risky investment than many of the world's large banks appear to think. Yet for the moment, they are determined to mount an assault on the old-established banks of Switzerland and other financial centres. It will be the preferences of the world's growing club of millionaires that settles the outcome.

Ian Rodger on the Swiss response to new competition

A discreet welcome

and often nervous - rich. However, Mr Raymond Baer, a director of Bank Julius Baer in Zurich with SF43.6bn under management at the end of 1994, says he sincerely welcomes the competition. It would force the bank to perform better and, as most new entrants set up bases in Switzerland, reinforce the status of the country as the world's leading private banking centre.

Mr Thierry Lombard, a managing partner of Lombard, Odier & Cie in Geneva, which manages over SF40bn, agrees with this view and wonders how long some of the new competitors will survive.

But he acknowledges that the big US and European banks can marshal immense resources to set up their international private banking networks. "I have not yet seen direct competition at the level of

our existing clientele, but I suspect that they are better than we are at marketing for new clients," he says.

Mr Baer says competition at some levels has become fierce. "Clients come back to us showing written offers from competitors. We do not want to lose the business, but neither do we want to be seen as giving in too easily."

The tendency of newcomers to set up in Switzerland measures the Swiss industry. Goldman Sachs of the US and the Hinduja group of India are two recent examples of international banks extending their private banking networks to the country. This suggests that the world's rich still place a premium on Swiss stability and safety, even if they want to deal with their own bank.

Mr Baer points out that Switzerland is the only important financial centre where bank secrecy laws are supported by criminal rather than civil sanctions. At the same time, the country has taken some of the toughest measures in the world to keep out drug and other criminal money. This contributes to a more respectable image than some other tax havens, says Mr Baer.

Switzerland is also the only place with a large pool of staff at clerk level who are comfortable with handling transactions in several currencies and languages, says Mr Baer. "You have that among high-level staff in every financial centre, but we have it even at the low levels."

Mr Lombard says he would begin to worry if international banks no longer felt compelled to bring their private banking operations to Switzerland. "A mixed culture is good

for Switzerland. The worst thing for us in the past was to be too protected, too regionalised. As we become less cartelised, we have a better chance to fight."

The foreign banks also bring in clients who, once exposed to Switzerland, might consider putting some of their money in a genuine Swiss bank, he adds.

Both men are sceptical about the staying power of many of the new entrants. Mr Lombard recalled a similar rush of US banks into international private banking in the early 1960s, but most of them - Bank of America, Chemical Bank, Manufacturers Hanover - subsequently retreated.

Mr Baer says the problem for newcomers is that it takes a long time to build up a private banking business to a profitable level. And in the next few years, as a result of the increased competition, margins would come under pressure for everyone.

"If you do not have a seven-year horizon, don't even start," he advises.

OBSERVER

Cheese crackers

Although Norway and Sweden won't see Mahmood Vaezi, Iran's deputy foreign minister, he's getting a cup of tea today from Denmark's foreign minister, Niels Helveg Petersen.

Petersen says he's happy to receive a minister from a regime which has put a death sentence on British author Salman Rushdie because, after all, the EU wants a dialogue with Tehran.

Iranian-Danish relations have in any case endured thick and thin, surviving an episode under Petersen's predecessor, who entertained an Iranian delegation which subsequently turned out to include people sought by a number of European governments for terrorist offences.

Today's chat might be related to nothing more than a variety of pungent cheese collated for a traditional feast. Iran was Denmark's largest (by volume) customer for cheese in some years from bought as much as DKr10m of the stuff. 1994 told a different story - sales were down to DKr300m. If only British Skilton were as popular in Iran.

Copy cats

Li Shuzhan, widow of China's last emperor, Henry Pu Yi, who died in 1964, has just won a decade-old copyright lawsuit involving his famous autobiography, *From Emperor to Citizen*.

Beijing's intermediate people's court has ruled that surviving relatives of Li Wanda, who helped Pu Yi revise the autobiography, were not entitled to a share in the book's copyright or royalties.

Let's hope we don't have to wait 10 years to see the end of another, slightly larger, copyright feud involving China - the current one with the US.

Poached poacher

The hardworking but scarcely underpaid officials of Brussels's

Number's up

The UK has been going through some turmoil over its new national lottery, but nothing quite like what recently befell Naples.

Superstitious Neapolitans flocked to bet on a "magic" number in Italy's state lottery following rumours that a dead man had returned to life.

The residents said that number 47, signifying death, and number 46, the man's age, were hot favourites after the (incorrect) rumour spread like wildfire through the Fuorigrotta district.

Gongs' home

More than 1m medals from the second world war are locked up in

Russia's defence ministry awaiting collection by Soviet soldiers.

The cards with the names of the people who have not received their medals in the ministry archives, the medals in their boxes are still in the personal directorate safes, says the daily newspaper Izvestia.

Colonel General Valentin Yakovlev said: "We have done a lot to find their addresses, but I do not know how to find the remainder."

And Yellow Pages won't help much, either.

Brunei burn-up

Nothing very much happens in Brunei, the small sultanate on the island of Borneo. With plentiful oil and gas reserves, the 300,000 people of Brunei enjoy one of the highest per capita incomes in the world.

But grumblings erupted at the weekend as the government, run by the Sultan and his family, moved to impose new import duties - ranging from 20 to 200 per cent - on cars.

A brief announcement on state-controlled television was the first the public knew of the move: no reason was given. Surely the Sultan, widely believed to be the world's richest man, is not running short of cash? Presumably his cars - at the latest count he had more than 50 Rolls Royces and Bentleys among the fleet in his garage - will not be subject to the new tax; unless it's retrospectively imposed. Heaven forbid.

Financial Times

100 years ago

Receivers appointed
The news will hardly come as a surprise that Receivers have been appointed for the Norfolk and Western Railroad. It has been an open secret for some time past that the finances of the Company were embarrassed, and, indeed, it came to some people as a surprise that the interest due last month was met. In Wall Street no effect was produced, and the general market, as will be seen from the cable news, kept firm all day. There was not even an adverse effect on other Southern lines.

50 years ago

Egypt Delta Land offer
Egypt Delta Land and Investment Company has called an extraordinary meeting at Cairo for 26th February at 4pm to approve the issue of the remaining 166,750 shares at par to existing shareholders in the proportion of one new share to every two shares held. Authorised capital is £200,000, issued £33,250 in £1 shares. The company, of which Mr J.A. Crawford is chairman, owns land and properties in Egypt and supplies electric light and water.

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FINANCIAL TIMES COMPANIES & MARKETS

Tuesday February 7 1995

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TRUCK

BRITAIN'S INTERNATIONAL TRUCK MANUFACTURER

IN BRIEF

Rhône-Poulenc to buy veterinary unit

Sanofi, the pharmaceuticals and beauty products arm of Elf Aquitaine, the French oil group, said it had agreed to sell its veterinary products business in Asia and North America to Rhône-Poulenc, the chemicals and drugs group. Page 20

Kellogg faces charge after job cuts
Kellogg, the US breakfast cereal company, yesterday said it planned to increase productivity by cutting between 300 and 350 jobs in the US and overseas, resulting in a one-time pre-tax charge of \$30m to \$40m in the second or third quarter. Page 22

Seita shares go on sale today
Shares in Seita, the French state tobacco company, will go on sale today to the public at a price of FF129 a share, the French finance ministry announced last night. Page 20

Record income for US Healthcare
US Healthcare, one of the biggest operators of health maintenance organisations in the US, reported record net income of \$80m for 1994, up 30 per cent from the previous year. Page 22

Rally in Hong Kong
The Hang Seng index in Hong Kong rose 418.88 to 7,897.80, the market's strongest one-day rally since May 18 last year. Back Page



Publishers are winning at the sharp rise in newspaper costs, which make up 20-25 per cent of a newspaper's total cost. Page 24

Rubber stocks ahead
Asia's stock markets are in the doldrums but the region's commodity traders have rarely been busier, with rubber emerging as the sector's star performer. Page 27

Capital Cities/ABC earnings up 46%
Capital Cities/ABC, the US media group, underlined the recent revival of the US TV networks with a 46 per cent jump in full-year earnings to \$680m. Page 22

Generators pledge hefty dividends
National Power and PowerGen are promising strong dividend increases ahead of the sale of the UK government's 40 per cent stake in each company this month. Page 26

Companies in this issue

Alcoa	24	Kellogg	22
Adidas	20	Lombard, Odier	17
Avicor	3	McDonnell Douglas	22
BK Vision	20	Metro Pacific	25
BT Industries	20	Michigan National	22
Bank Julius Baer	17	NAB	22
Bankers Trust	19	NatWest	17
Capital Cities/ABC	22	Philips Lighting	10
Chase Manhattan	22	Procter & Gamble	18
Coultis	17	Quaker Oats	18
Deutsche Telekom	18	Renison Goldfields	25
Datsun	24	Rhône-Poulenc	20
Donohue	24	Sanofi	20
Elf Aquitaine	20	Seita	20
Eridania Bagnoli-Say	25	Stone Container	22
Euro-Nevada Mining	25	TI-Acer	19
GEC Alsthom	10	Tokai Bank	24
General Electric	10	US Healthcare	22
HJ Heinz	18	Uzinor Sacilor	18
Huatai	2	Volvo	10
JCI	25	Westinghouse	10
KNP BT	20	Weyhshausen	24
		Yamaha Motor	24

Market Statistics

Annual reports service	30-31	FT-SE Actuaries Index	34
Benchmark Govt bonds	28	Foreign exchange	28
Bond futures and options	28	Gold prices	30-31
Bond prices and yields	28	London share service	32-33
Commodities prices	27	Managed funds service	32-33
Dividends announced, UK	28	Money markets	28
EMS currency rates	28	New list bond issues	28
European prices	28	New York share issues	28-29
Food interest indices	28	Recent issues, UK	28
FT-A World Index	Back Page	Short-term list rates	28
FT Gold Mines Index	34	US interest rates	28
FT/RENA Int bond sec	28	World Stock Markets	35

Chief price changes yesterday

FRANKFURT (DEM)		PARIS (FFr)	
Alcoa	850 + 11.2	ADP	105.4 + 7.4
Avicor	387.5 + 1.5	SEF	850 + 10
Bank Julius Baer	723 + 13.5	Edinburgh CI	694 + 49
Bankers Trust	582 + 2.8	Peugeot	713 + 34
Capital Cities/ABC	137.5 + 12.8	Talbot	2530 + 100
Chase Manhattan		Peugeot	
Coultis		Peugeot	
Deutsche Telekom		Peugeot	
Datsun		Peugeot	
Donohue		Peugeot	
Elf Aquitaine		Peugeot	
Eridania Bagnoli-Say		Peugeot	
Euro-Nevada Mining		Peugeot	
GEC Alsthom		Peugeot	
General Electric		Peugeot	
HJ Heinz		Peugeot	
Huatai		Peugeot	
JCI		Peugeot	
KNP BT		Peugeot	

Paris launches Usinor Sacilor sale

By John Riddick in Paris

The French government yesterday launched the privatisation process for Usinor Sacilor, Europe's largest steel producer, by inviting applications for banks to advise on the sale.

"From Tuesday, the countdown to privatisation begins," Mr Edmond Alphandery, economy minister, said. Officials declined to comment on the timing of the sale, but the operation seems set for the second half of this year.

Mr Francis Mer, chairman of the steel group, has been pushing for privatisation. He said at the end of last month that the company should be valued in excess of FF200bn (\$35bn) and that the government should capitalise on

the upturn in the steel industry to implement the sale.

The benefits of the industry upturn and the impact of cost-cutting measures at Usinor Sacilor will be demonstrated tomorrow when the company is due to announce a return to profit for 1994 after a loss of FF57.7bn in 1993. The rebound in results follows an extensive restructuring programme, which has made the company one of Europe's most efficient steel producers.

"They have made a lot of progress," says Mr Martin Doble, director of Beddow & Co, a consultancy firm for the steel industry. He cites the company's flat steel products and stainless steel businesses as areas of strength, noting that Usinor is the biggest flat

rolled steel supplier to the European motor industry.

But problems remain in the long products activities, including wires and steel for engineering goods, which have suffered from overcapacity and competition from imports.

The selection of adviser banks is the first concrete step towards privatisation for the 21 companies slated for sale, or already sold, by the centre-right government of Mr Edouard Balladur. Yesterday's announcement demonstrated the government's desire to maintain momentum in its privatisation programme and to achieve its targeted receipts of FF45bn from the sale of public sector assets this year.

Industry observers said the size

of the issue and political sensitivities arising from possible union opposition made it likely that the government would wait until after the presidential poll to implement the sale. They played down the possibility that the government could retain a majority stake in the steel maker, as it did in Renault, the motor group, which was floated last autumn.

The French government holds 80 per cent of the shares in Usinor Sacilor, with the balance held by Crédit Lyonnais, the loss-making state-owned bank. Crédit Lyonnais is expected to reduce its stake at the time of flotation, as part of its strategy of disposing of assets to strengthen its balance sheet.

France is in the process of pri-

vatizing Seita, the tobacco group, which is valued at between FF60bn and FF70bn. The privatisation of Groupe Bull, which is being implemented by the sale of stakes to industry partners, is expected to be completed within a few months.

Other candidates for sale in 1995 include Assurances Générales de France, the insurance group which has seen its privatisation postponed because of the sharp decline in insurers' shares over the past year.

Péchiney, the aluminium and packaging group is another possible candidate, while the government may reduce its holding in Renault to a minority through a further share issue.

Seita goes on sale, Page 20

P&G sues Bankers Trust over more swaps

By Richard Waters in New York

Procter & Gamble filed a fresh legal action against Bankers Trust to cover a second derivatives contract, intensifying the battle over losses it sustained when bond markets tumbled a year ago. The US consumer products company also filed securities law charges against the bank for the first time, extending the scope of the action which it had initiated last October.

P&G said it was seeking \$83m to cover losses it sustained on a D-Mark swap contract, in addition to the \$138m it had already claimed over a US interest rate swap. It is also seeking punitive damages in both cases.

The company first disclosed the losses on the D-Mark swap last April, at the same time as the other transaction. Explaining the delay, Mr Edwin Artzt, P&G's chairman and chief executive, said: "We're taking action now because conversations taped by Bankers Trust between [the bank] and P&G were recently made available to us and have confirmed what our own internal investigation had concluded."

Bankers Trust had been expected to face additional legal challenges over disputed derivatives since it announced a decision last month to place \$425m of contracts on to a cash basis. This is equivalent to treating them as doubtful loans, and indicated a concern that customers would refuse or otherwise fail to make payments due to the bank.

It said yesterday: "Bankers Trust has valid legal claims under contracts with P&G and expects to receive payment in full under those contracts."

In an amended suit filed yesterday in Ohio, P&G outlined a claim over the D-Mark transaction which resembles its earlier case over the dollar swap. It claimed that the bank had failed to disclose enough information to enable it to value the contract, and that the swap "was actually in a loss position from its first day - a fact that was never revealed to P&G."

According to P&G, both contracts were said by Bankers Trust to contain "look-through" provisions that would allow the company to fix its borrowing costs at a low rate, but neither achieved the promises the bank had made.

By extending additional securities law charges against the bank, P&G also raised the spectre that some derivative contracts could be brought under the tough anti-fraud provisions of this branch of US law - something that derivatives professionals have consistently contested.

Swedish carmaker to break up consumer products arm, writes Hugh Carnegie

Bidders line up for sale of Volvo's BCP division

The biggest corporate sell-off in Sweden for years - and potentially one of Europe's largest in 1995 - should begin to crystallise in the next few weeks as Volvo, the country's top manufacturer, moves to shed its wholly-owned subsidiary BCP to sharpen its focus on its core car and truck operations.

BCP (Branded Consumer Products) contains a spread of businesses and brand names covering tobacco, beer, soft drinks and food with annual turnover of more than SKr22bn (\$3bn) and extremely attractive market positions in the Nordic region.

Its sale is expected to raise around SKr25bn - roughly equivalent to the total of Swedish privatisation issues over the past three years. It will strengthen Volvo's coffers for the challenge of securing its future as an independent vehicle maker following the 1993 collapse of its plan to merge with Renault.

Volvo is being coy about exactly when and to which buyers BCP will be sold. But it has eschewed a flotation and signalled that its preferred option is to sell off separately the two main components of BCP: Swedish Match, a world leader in matches and lighters; the dominant Swedish cigarette supplier and maker of Snus, a wet snuff popular among Swedish men; and a beverages and food division which makes products including Pripps Beer, Ram, Abba mineral water and Abba Seafood. An investment portfolio division is being slowly unwound.

Two Nordic companies - Orkla, the Norwegian conglomerate, and Carlsberg, the Danish brewer - have made no secret of their interest in the sale. Other big international groups such as Nestlé, the Swiss food company, Philip Morris of the US and Britain's BAT Industries, have either signalled their interest publicly or been the subject of speculation. Several financial investment groups are also understood to be in close contact with Volvo.

Volvo officials anticipate that the disposal of Swedish Match at least will be completed in the first half of this year. Some analysts predict the Volvo board will pick a favoured suitor for Swedish Match in early March.

The sale of the food and drink division may take longer, but should also be completed this year. This would clear the way for the sale next year of Volvo's other main non-core asset, its 27.5 per cent stake in Pharmacia, one of the world's top 20 pharmaceutical groups, which it is bound under agreement with the Swedish government not to dispose of before January 1996.

The break-up and sale of BCP will mark the latest in a bewildering history of takeover, reorganisation and corporate shuffling that has affected its constituent parts over the past decade. BCP only became wholly-owned by Volvo last year after its parent form emerged following the break-up of a group called Procordia. Procordia was itself put together by Volvo and the state under their joint control in 1989 and included Pharmacia.

Under a 1993 deal between the government and Mr Pehr Gyllenhammar, Volvo's former chairman, Volvo was to be the principal shareholder in Pharmacia. These were to be new pillars under a diversified Volvo once it had merged its vehicle operations with Renault. But when Volvo scrapped the Renault deal and Mr Gyllenhammar quit the company, that strategy was torn up. BCP and Pharmacia suddenly became an expensive surplus to Volvo's requirements. In turnover terms, BCP's food and drinks division (renamed Procordia last month) is the biggest, reaching sales of SKr7.4bn in the first nine months of last year while Swedish Match achieved SKr5.8bn.

Its Swedish brewer Pripps has a 50 per cent share of the domestic beer, soft drinks and table water market. Procordia also has brewing interests in Norway, St Petersburg and the Baltic countries. It is the market leader in Sweden in potato products, it has the Felix ketchup brand and Abba Seafoods, one of the best-known brands for the regionally popular pickled herring.

When Volvo buys Procordia will have a long-term impact in the Nordic market," said Mr Peter Lawrence, head of Scandinavian research at Kleinwort Benson in London. "It will put any buyer -

What's on offer

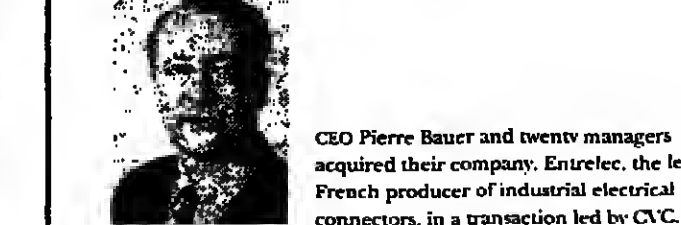
Turnover (\$m million)	1992	1993	1994
Swedish Match	8,295	8,763	9,847
Procordia	7,404	4,178	7,477
Food	5,488	6,108	
Procordia	8,298	2,878	4,888
Operating profits/loss (\$m million)	1992	1993	1994
Swedish Match	4,167	1,139	1,103
Procordia	277	311	473
Food	282	282	
Procordia	414	224	55

either a newcomer or an established player - in a very strong position in the region." Hence the interest of Orkla and Carlsberg. "For them, acquiring Procordia is both a good defensive and offensive move," Mr Lawrence said.

The problem is the cost. One scenario being canvassed is that the two companies would co-operate to allow Carlsberg to take the drinks interests and Orkla the food operations.

Volvo would almost certainly prefer such a "Nordic solution" for Procordia to keep it under regional control.

"But we can't consider only that factor. We have to get the best price," said one executive. Insiders suggest meanwhile that Swedish Match, which in recent years has been much more profitable than Procordia, will be sold to financial investors rather than to one of the industry's big names which already have strong positions in the local market and would almost certainly face anti-monopoly obstacles.



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Heinz agrees to buy Quaker's US pet food business for \$725m

By Richard Tomkins in New York

H.J. Heinz, the US food group, is to become one of the biggest pet food companies in the US with the surprise announcement that it has agreed to buy the North American pet food business of Quaker Oats, the US breakfast cereal and soft drinks group, for \$725m.

The deal is the latest merger in the world pet food industry. It comes three days after Quaker Oats said it had agreed to sell its European pet food business to Britain's Delgaty for \$700m.

Quaker Oats put its European pet food business on the auction block last November after it agreed to buy Snapple Beverage soft drinks group for \$1.7bn in cash, but it had not indicated any intention to sell its North American business.

Yesterday Quaker Oats said the disposal was a logical step in the realignment of its business, turning it into a company focused on cereal products and "good-for-you" beverages. Analysts noted that the disposal would also help restore strength to the company's balance sheet.

Heinz already has pet food businesses in the US, Europe and New Zealand, but has been a relatively small player. With this acquisition, it will become the third biggest pet food company in the US, close behind Ralston Purina in first place and Nestlé in second.

Last month the number of big companies in the US pet food industry was reduced from six to five when Britain's Grand Metropolitan completed the sale of Alpo Petfoods to Nestlé for \$610m.

Heinz's purchase of the Quaker Oats business will reduce the field to four: Ralston Purina with sales of about \$1.4bn, Nestlé with sales of about \$1.3bn, Heinz with sales of about \$1.1bn, and Mars with sales of about \$900m.

Mr Tony O'Reilly, Heinz's chairman and chief executive, said Heinz's existing strength in the US pet foods industry was in canned cat food, while that of Quaker Oats was in dry dog food.

The combination of the two would bring "a perfect complement and balance", he said. With annual sales of \$540m, the acquisition will double Heinz's sales in the fast-growing US pet food business to an expected \$1.1bn in the year beginning in May.

Heinz believes it will add to earnings per share immediately.

INTERNATIONAL COMPANIES AND FINANCE

Rhône-Poulenc to acquire Sanofi veterinary division

By John Ridding in Paris

Sanofi, the pharmaceuticals and beauty products arm of Elf Aquitaine, the French oil group, yesterday said it had agreed to sell its veterinary products businesses in Asia and North America to Rhône-Poulenc, the chemicals and drugs group.

The deal reflects Sanofi's policy of disposing of its bio-activities division, a strategic decision aimed at raising funds for last year's purchase of Sterling Winthrop from Kodak of the US. The acquisition of the prescription drugs business cost \$1.7bn.

Sanofi declined to disclose the amount of its latest transaction, but said the businesses in question have annual sales of FF850m (\$109.4m) and

employ 620. Final accords are expected to be signed within the next few weeks and the deal is subject to regulatory approval.

Conclusion of the deal will still leave Sanofi looking for a buyer for its veterinary businesses in Europe, Africa and the Middle East. These activities have combined total sales of about FF900m.

Rhône-Poulenc, which will integrate the businesses into its Rhône-Mérieux division, said the acquisition would strengthen its position in the US and Asian markets. It said the deal would allow it to complete its product range and bring its production facilities in the US for specialty veterinary pharmaceuticals.

According to Rhône-Poulenc, the acquisition will lift Rhône-

Mérieux to fifth or sixth position in the international market for veterinary pharmaceuticals and vaccinations, from number eight. Last year, Rhône-Mérieux had sales of about FF3.6bn of which two-thirds came from outside France.

The purchase is in line with Rhône-Poulenc's strategy of strengthening its core businesses while divesting non-core assets.

Since its privatisation in late 1993, the company has stepped up a programme of restructuring, including several large disposals over the past few months. Capital gains on some of the sales are expected to contribute to an increase in profits when the company announces results for 1994 later this week.

Seita shares go on sale today at FF129 each

By David Buchan in Paris

Shares in Seita, the French state tobacco company, will go on sale today to the public at a price of FF129 a share, the French finance ministry announced last night.

The price is near the middle of the government's guideline range of FF126-FF134, which according to an analysis by the Banque du Louvre should produce a price/earnings ratio of around nine. Seita recorded profits of FF645m (\$125m) last year and is forecasting an increase this year.

The government is putting 26.6m shares on the market after retaining a 10 per cent stake, reserving 25 per cent of shares for a core of long-term stable shareholders and some further shares for employees and tobaccoist owners.

The core of stable shareholders would each pay FF135.66 a share, or 2 per cent more than the FF133 charged to institutional investors.

The core comprises Crédit Commercial de France, with 5 per cent; Société Générale, 5 per cent; Groupe Jacques Lejeune, 4 per cent; Française des Jeux, the French lottery, 2.5 per cent; BNP, 1.5 per cent; Compagnie des Navigations Mixtes, 1.5 per cent; Compagnie Saint Gabriel (Groupe Bolloré), 1.5 per cent; Prestival (Groupe Edouard Stern), 1.5 per cent; Société BIC, 1.5 per cent; and Société Suisse d'Assurances Générales pour la Vie Humaine, with 1 per cent.

Half of the issue will be sold at the FF129 price to the public starting today and ending at the close of business on February 14. The other 13.3m shares have been marketed to French and foreign institutional investors, in a book-building exercise which Mr Edmond Alphandery, finance minister, said last night "could be closed at any moment from the evening of February 7".

The government has reserved the right to claw back 20 per cent of the offering to institutions if individual demand for Seita shares proves very strong.

BT Industries draws money men

Flotation of the lift-truck group is in the offing, writes Andrew Baxter

Investment bankers have been knocking on BT Industries' door, just a few months after a complex deal brought new majority owners to the Swedish company, one of the world's top 10 lift-truck groups.

The Stockholm money men are attracted by the lucrative prospect of a public flotation for BT, Europe's third largest producer of warehouse lift trucks, after Germany's Jungheinrich and Linde.

"It's a question of don't call us, we'll call you," says Dr Robert Andreen, managing director of Nordic Capital, the buy-out fund that has bought 52 per cent of Mjølby-based BT. But it looks as if the bankers will not have to wait too long.

Completion of the deal in November followed the decision in 1993 by KF, the Swedish co-operative movement, to sell its industrial activities, grouped in a holding company called Nordico, and free capital for its core retailing business.

Two Nordico units were sold in 1993, and there was considerable interest in the remaining businesses, says Dr Andreen. But quitting BT would have been a difficult decision for KF, which had founded the lift-truck company in 1946 as a spin-off from its warehouse handling activities.

A deal was struck which left KF holding 46 per cent, through KF Invest, while BT management had the remaining 2 per cent. Nordic Capital, backed by five heavyweight

Swedish venture capital, pension fund and life assurance companies, also bought the three other remaining industrial businesses within Nordico.

The deal ended months of speculation about BT's future, with Jungheinrich, Toyota of Japan and Crown of the US among those rumoured to be interested buyers.

It also capped a year of change for the Swedish materials handling industry. Last summer, Kalmor, best known for its large lift-trucks used to shift loads such as shipping containers, was floated on the Swedish stock exchange by its then owner, Svenska.

At last month's launch of the Reflex range of high performance reach trucks, BT's managers and new owners explained the thinking behind the deal and mapped out the route ahead.

Dr Andreen is impressed by BT's recent increase in European market share, from 12 per cent in 1991 to 15 per cent, and sees potential in the emerging markets such as Asia, which at present only account for 5-7 per cent of sales.

With the recession over, volume increases of at least 5 per cent a year are likely, he says.

while prices could rise, easing the pressure on margins.

The new owners are heartened by the internal changes made at BT over the past two to three years, which have been vital in restoring the company's competitiveness. Along with many Swedish companies, BT entered the 1990s with a number of serious problems unresolved.

A part from Sweden's high costs and the recession, Mr Ridderstråle reels off a list of internal difficulties. The company was failing to focus on its core business, warehouse lift trucks, and distracted by a costly foray into automated handling equipment.

Its product range was becoming outdated, manufacturing costs were too high and development programmes too long. Its production planning system was obsolete and working methods inflexible.

All this has changed. The BT Systems automated handling business was split from BT Industries in 1991. It has since been sold to Switzerland's Sprecher and Schuh.

Meanwhile, a new production strategy, easier-to-manufacture products and a reduction in the workforce from 4,200 in 1991 to about 3,800 have doubled productivity, halved product development times and reduced net operating assets to SKr1bn (\$134m) from SKr1.4bn.

With an improvement in the

lift-truck market and benefits from krona devaluation - albeit belated because of currency hedging - the losses of 1991 and 1992 turned to profits after financial items of SKr30m in 1993 and SKr154m for the first 10 months of last year on sales of almost SKr3bn.

Mr Ridderstråle believes profits can rise further this year, especially if BT's big German rivals try to increase prices to offset the effects of the stronger DM.

According to Dr Andreen, the turnaround in BT's performance means that, in theory, it is ready to be floated now. In practice, late this year would be the earliest, he says, and would depend on market conditions.

Waiting a year for a flotation would also allow BT to tackle what Mr Ridderstråle sees as three remaining weaknesses.

The group, he says, has too small a presence in Germany, Europe's most important warehouse lift-truck market, and France; brand awareness is low outside existing customers; and its policy of selling "small ticket products" through its network rather than through distributors is expensive.

These issues are being addressed, through moves such as the recent decision to start a German-only brand, Movit, for hand pallet trucks and other smaller items.

Along with the restructuring, Mr Ridderstråle believes this should help BT counter the threats to its businesses.

BK Vision asset value tumbles

By Ian Rodger in Zurich

BK Vision, the investment company that is challenging the governance of Union Bank of Switzerland, has reported a 22.6 per cent slide in its net asset value per share in 1994 to SFr1.278 per bearer share.

The decline was due mainly to the sharp fall in the value of UBS shares, especially since the outbreak of hostilities last September between BK Vision and UBS directors over the directors' proposal to convert the registered shares into bearer shares.

At the year-end, the market value of BK's holdings in UBS was down 9 per cent to SFr1.6bn (\$1.2bn) in spite of additional share purchases. UBS securities accounted for 77 per cent of the value of its portfolio, with those of Zurich Insurance making up the rest.

Mr Martin Ebner, chairman, said BK Vision still believed "pressure from shareholders and the ruling of the courts will in the foreseeable future bring about constructive solutions and pave the way for UBS to exploit its dormant profit potential."

BK Vision has launched a one-for-10 rights issue to raise about SFr450m, testing investor confidence after the bearer shares have tumbled 43 per cent since their peak a year ago.

Mr Ebner said he reckoned the Swiss market had hit rock bottom and now was a good time to lift the fund's investment in financial shares.

He said BK Vision was watching "with keen interest" the increasing attention being paid by banks outside of Switzerland to higher return on equity.

German banks change accounting

By Andrew Fisher in Frankfurt

Germany's big banks are taking steps to make their accounts less opaque and more comprehensive, with the German banking association yesterday announcing agreement on new standards to bring interim results in line with international practice.

Instead of 10-month figures, banks will announce figures for nine months, as in other countries. The association's accounting committee agreed on the new accounting proce-

dures for banks' six-monthly and nine-monthly figures. That old stalwart of German banking results - partial operating profits - will disappear. This, the association said, was not common in other countries' accounts; the partial figure excludes profits on own-account trading which have been stated separately. Now, there will be one overall operating profits figure.

Also, interim results will be presented in a way that highlights group activities rather than those of the parent bank.

This will make comparisons easier, even if some bank subsidiaries operate as separate legal entities.

In future, banks will compare interim results with the same calendar period of the previous year and not with a proportion of the past year's full results. Banks have provided half-yearly results compared with six-twelfths of the previous year or 10-monthly results compared with 10-twelfths. They have recently tended to give calendar-based comparisons.

Strong turnaround at Dutch paper group

By Ronald van de Krol in Amsterdam

KNP BT, the Dutch paper and packaging group, swung back into the black in 1994 with a provisional net profit of F132m (\$190m).

This is a strong turnaround from its 1993 net loss of F134m, when results were heavily influenced by restructuring provisions of F1320m prompted by difficult trading conditions in the European paper sector.

The company, created in 1993

out of a merger of the Netherlands' three leading paper and packaging groups, said profit per ordinary share stood at F13.04 in 1994 compared with a loss of F10.27 in the previous year.

The provisional figures were released after the close of trading on the Amsterdam stock exchange, where KNP BT's shares rose F10.50 to close at F153.90.

Definitive figures for 1994, including turnover and dividend details, are due to be published on March 16.

Adidas considers a public share offering

Mr Robert Louis-Dreyfus, chairman of Adidas, the sportswear and shoe manufacturer, said the company was considering a public offering of between 20 per cent and 30 per cent of its shares in 1996, AFX reports from Munich.

He told a news conference that the offer would be divided between Germany and the US.

The company, which is majority-owned by Adidas International Holding, is negotiating with Crédit Lyonnais to buy the 4 per cent

of Adidas which the French bank still owned.

Mr Louis-Dreyfus, who owns 24.9 per cent in the holding company, said the offering would involve all current investors selling equal percentages of their holdings.

The chairman said he expected Adidas sales to rise about 20 per cent in the first half of 1995.

In 1994, he expected Adidas to post a net profit of between DM25m and DM35m (\$16.4m-\$23m), up from DM9m in 1993.

This announcement appears as a matter of record only.



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(Incorporated under the laws of the Republic of Argentina)

Rights Offering

30,481,889 Shares of Common Stock
listed on the Buenos Aires Stock Exchange
and

International Offering

1,142,294 Global Depositary Shares
listed on the New York Stock Exchange

Representing 11,422,940 Shares of Common Stock

864,174 Global Depositary Shares

This portion of the offering has been sold in the United States by the undersigned.

Baring Securities Inc.

Smith Barney Inc.

Arnhold and S. Bleichroeder, Inc.

LatInvest Securities Inc.

J.P. Morgan Securities Inc.

Bancomer Securities International Inc.

Cruz Blanca Corredores de Bolsa

278,120 Global Depositary Shares

This portion of the offering has been sold outside the United States and Argentina by the undersigned.

Baring Brothers & Co., Limited

Smith Barney Inc.

Arnhold and S. Bleichroeder, Inc.

LatInvest Securities Limited

J.P. Morgan Securities Ltd.

Bancomer Securities International Inc.

Cruz Blanca Corredores de Bolsa

Exchange Offering

SEC Registered Global Depositary Shares for
Rule 144A Global Depositary Shares

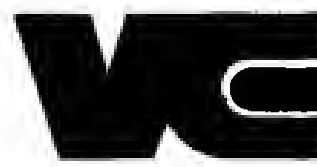
Global Coordinator

Baring Brothers & Co., Limited



December 1994

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December 1994

صكنا من الاموال

صكنا من الامل

WIS money men

A

Adidas considers public share offer

E

WILCO

DBANK

January 1994

ALPHA

ALPHA Airports Group PLC

Flotation
Public Offer and Placing of
113,087,500 Ordinary Shares
at 140p each

Financial Adviser and Underwriter
UBS Limited

July 1994

Formosa Chemicals & Fibre Corporation and Nan Ya Plastics Corporation

US\$600 million
1 1/4% Bonds
due 2001

Lead Manager
UBS Limited

March 1994

Kinki Nippon Railway Co., Ltd.

SFr 300 million
2% Notes with Warrants
due 2001

Joint Lead Manager
Union Bank of Switzerland

November 1994

Renault

International Offering of
24,784,383 Ordinary Shares
at FFf 176 each

Joint Lead Manager
UBS France S.A.

April 1994

Tele Danmark A/S

Initial Public Offering of
63,229,770 B Shares
at DKr 310 each

European Lead Manager
UBS Limited

February 1994

TransAtlantic

TransAtlantic Holdings PLC

£250 million
5 1/2% Convertible Bonds
due 2009

Lead Manager
UBS Limited

October 1994

BOOKER

Booker plc

Cash Placing of
10.5 million Ordinary Shares
at 40 1/2p each

Joint Broker
UBS Limited

November 1994

FORTE

Forte Plc

£177 million
Vendor Placing of
78,000,000 new Ordinary Shares
at 22 1/2p

Financial Adviser and Underwriter
UBS Limited

July 1994

Liberty Life Association of Africa Limited

\$320 million
6 1/4% Convertible Bonds
due 2004

Joint Lead Manager
UBS Limited

January 1994

Samsung Electro-Mechanics Co., Ltd.

SFr 70 million
0.25% Convertible Bonds
due 2000

Lead Manager
Union Bank of Switzerland

April 1994

The Pelican Group PLC

Rights Issue of
25,246,519 Ordinary Shares
at 80p each

Adviser and Joint Broker
UBS Limited

September 1994

UniChem PLC

UniChem PLC

Rights issue of
24,430,796 Ordinary Shares
at 24 1/2p each

Joint Underwriter and Broker
UBS Limited

March 1994

CSC

Capital Shopping Centres PLC

Initial Public Offering of
91,000,000 Ordinary Shares
at 230p each

Joint Lead Manager
UBS Limited

November 1994

Chakwal Cement Company Limited

US\$100 million
Global Depositary Receipts

Lead Manager
UBS Limited

May 1994

CIR SpA

Lire 591 billion
Rights Issue of
6% Convertible Notes
due 1999

Joint Global Co-Ordinator
UBS Limited

May 1994

CLS Holdings plc

Flotation
Issue of 45,045,045
Ordinary Shares
at 11 1/2p each

Joint Adviser and Sole Broker
UBS Limited

May 1994

DCC plc

DCC plc

Introduction to the
London Stock Exchange and
Placing of 3,297,320
Ordinary Shares
at IR250p each

Joint Underwriter and Broker
UBS Limited

November 1994

GUINNESS PLC

Guinness PLC

Block trade of
72,000,000 Ordinary Shares
at 457p each

Lead Manager
UBS Limited

November 1994

Norcor Holdings PLC

Norcor Holdings PLC

Flotation
Placing of 14,166,667
Ordinary Shares
at 120p each

Adviser and Broker
UBS Limited

June 1994

Stidelektra

Stidelektra Holding AG

Rights issue of
150,000 Bearer Shares
at SFr 1,000 each

Lead Manager
Union Bank of Switzerland

November 1994

THK

THK Co., Ltd.

SFr 100 million
2 1/4% Convertible Notes
due 1999

Lead Manager
Union Bank of Switzerland

April 1994

Winterthur

Winterthur Finance Ltd.

SFr 300 million
2 1/4% Bond with Warrants
due 1999

Lead Manager
Union Bank of Switzerland

September 1994

Intershop Holding AG

SFr 101.31 million
3 1/2% Bonds with Warrants
due 2000
by way of Rights

Lead Manager
Union Bank of Switzerland

April 1994

Indofood

P.T. Indofood Sukses Makmur

US\$500 million
Exchangeable Bonds
due 1997

Lead Manager
UBS Limited

August 1994

SULZER

Sulzer AG

SFr 116 million
2% Convertible Bonds
due 1999

Lead Manager
Union Bank of Switzerland

November 1994

EVC

EVC International NV

Initial Public Offering of
10,000,000 Ordinary Shares
at NLG 77 each

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INTERNATIONAL COMPANIES AND FINANCE

Kellogg facing charge of up to \$40m after job cuts

By Richard Tomkins
in New York

Kellogg, the US breakfast cereal company, yesterday said it planned to increase productivity by cutting between 300 and 350 jobs in the US and overseas, resulting in a one-time pre-tax charge of \$30m to \$40m in the second or third quarter.

It said about one-third of the jobs would be in its US cereal operations and the remainder would be outside the US. It expected to achieve cost savings of \$12m to \$15m a year.

Kellogg's decision follows the company's poor financial performance last year. Net income rose by less than 4 per cent to \$705.4m, mainly because of profits in the US were hit by tough competition.

Like other US manufacturers of premium cereal products, Kellogg is facing inroads into its market by cheaper products and own-label brands. Traditionally it has charged high prices for its products but lured consumers with heavy promotional spending on money-off coupons.

Last year it revised that strategy after General Mills,

one of its biggest rivals, reined back promotional spending and cut its prices by an average of 11 per cent. Kellogg, too, cut promotional spending and said it would invest more in brand-building advertising.

The cut in promotional spending initially helped Kellogg's bottom line, but it has failed to compensate for further declines in US sales. Last month Mr Arnold Langbo, chairman and chief executive, said Kellogg was "extremely sensitive" towards further volume decline, raising speculation that the company might be forced into a price war.

McDonnell Douglas may halt MD-11 line

By Richard Tomkins

McDonnell Douglas, the US aircraft manufacturer, yesterday said it may have to consider mothballing production of its biggest aircraft, the 300-seat MD-11, for part of next year because of a severe order shortage.

It emphasised that this was "a worst case scenario" and was only one of several options under consideration. Its shares, however, fell 1 1/2 to \$52 1/2 in early trading.

McDonnell Douglas's warning came amid continuing weakness in global demand for new aircraft.

Last week Boeing of the US, the world's biggest aircraft manufacturer, said it was cutting 7,000 jobs and scaling back production of two types of aircraft because of order shortages.

McDonnell Douglas makes three commercial aircraft: the MD-80 twin-jet, the new MD-90 twin-jet, and the MD-11 tri-jet. Production of the aircraft employs about 10,000 workers at a plant in Long Beach, California.

The downturn in demand for new aircraft has caused McDonnell Douglas's deliveries to plummet from 126 in 1992 to 39 last year, of which 22 were twin-jets and 17 were MD-11s.

The company expects to benefit from its share of a \$6m commercial aircraft order from Saudi Arabia announced by President Bill Clinton last year, but final negotiations over the deal have taken longer than expected and left the company with a hole in its MD-11 order book in 1995.

McDonnell Douglas said that if the delays continued, one option under study was to close the MD-11 production line for a period. Thousands of workers would be temporarily laid off, although production of the company's other aircraft would continue.

It said this would be an extreme measure which it hoped to avert - either through completion of the negotiations with Saudi Arabia or by winning orders from other airlines.

Australians pluck American fruit

Richard Waters and Nikki Tait report on NAB's US purchase

It has been an open secret that National Australia Bank, the sturdiest of Australia's "big four" commercial banks, has been scouring the US for an acquisition for some years.

On Sunday that search finally bore fruit. NAB has agreed to pay \$1.5bn for Michigan National, a regional bank with a decidedly chequered recent history, in what it says will be the first part of a broader expansion in the US.

The deal is the biggest of a series of recent acquisitions by foreign banks in the country. The general weakness in bank shares since last summer may have cooled the domestic US takeover market: chairmen whose own companies are valued by the stock markets at only around 8 times this year's earnings have difficulty justifying multiples of 15 or more for acquisitions.

Foreign banks, however - particularly those able to pay with cash - have felt less constrained at paying a premium to gain a foothold in the world's biggest banking market.

For the big Australian bank, there are fairly obvious reasons for the move. NAB has a large presence in its core Australian markets, and can reasonably expect these to become more competitive in the months ahead. Two of its large banking competitors, Westpac and ANZ, are emerging from their recession-related bad debt and problem loan difficulties. At the same time, as in many other countries, boundary lines between different types of financial institutions are being redrawn.

NAB's earlier diversification into the UK - where it owns the Clydesdale, Yorkshire and

Northern banks - is now well bedded down. It is currently looking to acquire the Irish TSB Bank, but even if this comes to fruition it would be a modest deal. As for Asian opportunities, Mr Don Argus, NAB managing director, has said firmly, if unfashionably, that the bank intends to take "a low-risk, low-cost strategy, rather than get in there and blit it out with established players".

With Michigan National,

financial officer last year and is in the early stages of a cost-cutting exercise intended to bring its excessive cost base more into line with other regional banks.

That Michigan National has agreed to be acquired before its planned rehabilitation takes effect is believed to owe much to the attentions of its biggest shareholder, Heine Securities. The firm, with 8 per cent of the bank's stock, has been agitating for a sale for some time.

The price paid by NAB is towards the top end of valuations of other recent US bank deals

NAB has found an institution which is still in the early stages of a turnaround after a failed attempt to expand into mortgage banking in the late 1980s. Under chairman Mr Robert Mylod, a former president of the Federal National Mortgage Association (Fannie Mae), the bank bought lending institutions in California and Texas, as well as a significant book of mortgage servicing rights. Those purchases hit Michigan National hard as bond prices first soared, prompting a wave of mortgage refinancings and hitting the value of its servicing rights; then dropped, ending the refinancing boom and with it the mortgage origination business.

The bank, with \$9.9bn in assets and 121 branches, has since sold the businesses outside its home state. While operating under the close scrutiny of the US comptroller of the currency, whose office regulates nationally chartered banks, it brought in a new president and chief financial

officer last year and is in the early stages of a cost-cutting exercise intended to bring its excessive cost base more into line with other regional banks.

At nearly two times book value, and 14 times earnings, the price paid by NAB is towards the top end of valuations of other recent US bank deals.

For NAB, the acquisition is likely to be the first of several in the US. The bank is attractive because it fits into a "strategy of running a federation of regional banks in econ-

omies where there is strong growth and we understand the accounting rules," NAB says.

The Australian bank said that it would expect "negligible" immediate effect on its earnings from the proposed deal, and an increasing contribution to profits over the longer-term. One area where NAB claims its own expertise may prove valuable is in pushing Michigan National towards a more evenly-weighted balance of consumer and commercial business.

At present, the latter accounts for about 80 per cent of the total. "There are great opportunities to pursue the consumer-type banking we operate in this country," commented Mr Argus, yesterday.

He also made clear that the purchase of Michigan National, which puts about one-tenth of NAB's assets in the US, would not be the end of the Australian company's state-side ambitions. "It's a good shell bank, which we can drive organically or use for further acquisitions," he said.

He is not alone. Others, such as Harris Trust, owned by Bank of Montreal, and National Westminster Bank, part of the US bank, have also been active acquirers recently, buying additional assets and branches to add to what are already sizeable US regional banking businesses.

From an existing base, such deals can make good financial sense. NatWest paid more than 2 times book value in two acquisitions in New Jersey last year.

According to Mr John Petts, a senior vice-president at the bank, the bank should be able to cut around 40 per cent of the non-interest costs of the two institutions.

Capital Cities/ABC earnings ahead by 46% for full year

By Tony Jackson
in New York

Capital Cities/ABC, the US media group, underlined the recent revival of the US TV networks with a 46 per cent jump in full-year earnings to \$680m.

The final quarter showed a 44 per cent rise to \$241m, in spite of the period being six days shorter than the year before.

Earnings per share rose more sharply as a result of share buy-backs, with full-year earnings up 55 per cent before extraordinary charges at \$4.42,

and earnings for the quarter up 52 per cent at \$1.56. The company bought in some 10m shares in the course of the year.

Operating profits from broadcasting rose 47 per cent in the quarter to \$410m, on sales up 4 per cent at \$1.7bn. The contribution from the ABC TV network was up significantly, the company said, as a result of strong advertising demand. There was also a significant rise at ESPN, the group's cable network.

Earnings from the publishing division, which takes in newspapers,

periodicals and books, were up 17 per cent at \$42m for the quarter, with the specialised publications performing better than the newspapers.

In addition to the ABC and cable networks, the group runs a number of local TV and radio stations, and produces its own TV programmes.

For the full year, operating income from broadcasting was up 45 per cent at \$1.13bn, with ABC, ESPN and the radio stations up "very significantly".

Full-year publishing profits were \$65m, a rise of 23 per cent.

Record income for US Healthcare

By Richard Waters
in New York

US Healthcare, one of the biggest operators of health maintenance organisations in the US, reported record net income of \$391m for 1994, up 30 per cent from the previous year. The Pennsylvania-based company's results benefited from higher enrolment numbers and lower medical costs.

By the end of last year, US Healthcare's health plans covered nearly 2m people, up 298,000 from a year before. Of the increase, 175,000 are in plans insured by the company,

with the rest in schemes funded by their employers.

The company also reported that its medical cost ratio (the proportion of premiums it pays out in medical costs) dropped to 69.3 per cent for the year, from 72.7 per cent. A health maintenance organisation reduces medical costs by using its size to negotiate lower rates from hospitals and other healthcare providers, and by restricting the types of treatment and drugs available to patients.

The improvement contributed to earnings per share of \$2.42 for the year, compared

with \$1.84 in 1993. For the full three months of the year, net income increased to \$107m, or 67 cents a share, from \$91m, or 56 cents a share, the year before. The medical cost ratio for the period was 68.2 per cent, compared with 68.7 per cent in the same period of 1993.

HealthSouth, the largest US provider of rehabilitation services, is buying 11 hospitals and 12 other facilities from rival NovaCare, writes Maggie Urry. The \$235m deal will give HealthSouth a total of nearly 490 locations including 67 hospitals, with a total of nearly 5,000 beds.

Stone Container sees extended recovery

By Maggie Urry in New York

Stone Container, the US paper and packaging group, is predicting the current upturn in the industry will be "stronger and longer than past recoveries, lasting at least into 1997". However, rising prices for recycled fibre added \$52m to costs and held back fourth-

quarter profits. Net income was also affected by a higher tax rate.

Nevertheless, Stone reported net income in the final three months of 1994 of \$28.8m, or 28 cents a share, on a fully diluted basis, compared with a net loss of \$6.8m, or \$1.23, in 1993. Sales in the quarter were 30 per cent up at \$1.62bn.

The full year produced a net loss of \$205m, after one-off charges which totalled \$75.5m, compared with a loss in 1993 of \$358m, after charges of \$39.5m relating to accounting changes and the early repayment of debt.

On a per share basis the loss was \$3.46, against \$5.16, or before the charges \$1.80 com-

pared with \$4.59. Sales in the year were 14 per cent higher at \$5.75bn.

Stone said it raised prices for its containerboard and corrugated boxes in January. It is planning rises for newsprint in March and May. Market pulp prices also went up last month and another increase is scheduled for March.

These securities have not been registered under the Securities Act of 1933 and may not be offered or sold in the United States except in accordance with the resale restrictions applicable thereto. These securities having been previously sold, this announcement appears as a matter of record only.

U.S. \$1,000,000,000

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(Incorporated in The Netherlands and established in Amsterdam)

8.125% Guaranteed Bonds due 2000

unconditionally and irrevocably guaranteed as to payment of principal and interest by

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Landesbank Baden-Württemberg
(An institution incorporated under public law of the State of Baden-Württemberg and established in Karlsruhe, Germany)

Issue Price: 101.232%

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Dresdner Bank HSBC Markets Limited IBI International plc

Lehman Brothers Merrill Lynch International Limited

Morgan Stanley & Co. Nomura International

PaineWebber International (U.K.) Ltd. Paribas Capital Markets

January 1995

ASFINAG
Autobahn- und Schnellstraßen-
Finanzierungs-Aktiengesellschaft
U.S. \$300,000,000
Guaranteed Floating Rate
Notes due 1997

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 8th May, 1995 has been fixed at 6.25% per annum. The interest accruing for such three month period will be U.S. \$157,04 per U.S. \$10,000 Bearer Note, U.S. \$1,570.38 per U.S. \$100,000 Bearer Note, on 8th May, 1995 against presentation of Coupon No. 10.

Union Bank of Switzerland
London Branch Agent Bank
2nd February, 1995

San Hing Kai Properties
Finance International Limited
HK\$400,000,000

Guaranteed Floating Rate Notes due 2001 unconditionally and irrevocably guaranteed by San Hing Kai Properties Limited

In accordance with the terms and conditions of the Notes, the rate of interest applicable for the interest period January 30, 95 to July 29, 95 is 8.30% per annum.

Interest payable on July 31, 95 per Note of HK\$300,000 will be HK\$2,513.92

Bankers Trust Company
Hong Kong

CORRECTED NOTICE
To The Holders of Banco Central de Costa Rica US \$50,000,000 Series A Interest Bearing Bonds Due May 21, 2005

US \$75,000,000 Series B Interest Bearing Bonds Due May 21, 2005

NOTICE IS HEREBY GIVEN that the rate of interest from November 21, 1994 through and including February 20, 1995 is 8.75% per annum. Interest coupon payable on February 21, 1995 will amount to \$1,265.07 per \$100,000 nominal face amount.

By: BankAmerica National Trust Company as Fiscal Agent
Date: February 8, 1995

SOCIÉTÉ GÉNÉRALE
GLOBAL EQUITY TRANSACTIONS

CONVERTIBLE BONDS

MICHELIN FRF 3 500 000 000 Convertible Bonds 2.50% January 94 SOCIÉTÉ GÉNÉRALE Lead manager	PEUGEOT FRF 3 980 000 000 Convertible Bonds 2.00% March 94 SOCIÉTÉ GÉNÉRALE Lead manager	ALCATEL ALSTHOM FRF 5 000 000 000 Convertible Bonds 2.50% March 94 SOCIÉTÉ GÉNÉRALE Lead manager
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PUBLIC OFFERINGS

SYLEA FRF 528 800 000 Initial Public Offering Paris June 94 SOCIÉTÉ GÉNÉRALE Lead manager	PINAULT-PRINTEMPS-REDOUTE FRF 1 160 000 000 Secondary Offering September 94 SOCIÉTÉ GÉNÉRALE Lead manager	CONTINENTE PTAS 34 500 000 000 Initial Public Offering Madrid March 94 SOCIÉTÉ GÉNÉRALE Global coordinator
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NEW EQUITY ISSUES

COLAS FRF 551 000 000 Rights Issue November 94 SOCIÉTÉ GÉNÉRALE Lead manager	COMMERCIAL UNION GBP 331 000 000 Rights Issue September 94 SOCIÉTÉ GÉNÉRALE Co-lead manager	EBF FRF 507 000 000 Shares with Warrants September 94 SOCIÉTÉ GÉNÉRALE Joint-lead manager
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*"Deal of the year 1994" for Peugeot convertible bonds in Corporate Finance magazine.
Second in 1994 Euro-convertible bonds league table - Euroweek.
First in French equity and equity-linked issues over the 1993-1994 period.*

CAPITAL MARKETS DIVISION
50, rue Talbot - 75009 Paris - FRANCE

This notice appears as a matter of record only.

LET'S COMBINE OUR TALENTS.

U.S. \$53,000,000
Banco Internacional S.N.C.
Floating Rate Notes Due 2000

In accordance with the provisions of the Notes, notice is hereby given that for the six month interest period from 7th February, 1995 to 7th August, 1995 the Rate of Interest has been fixed at 7.4375% p.a. and the Interest Amount payable on the relevant Interest Period Date 7th August, 1995 in respect of each U.S. \$100,000 nominal amount of the Notes will be U.S. \$3,759.41.

Reference Agent
Standard Chartered
Standard Chartered Capital Markets Limited
7th February, 1995

BRADFORD & BINGLEY
U.S. \$150,000,000
Floating rate notes 1999

Notice is hereby given that the notes will bear interest at 6.5375% per annum from 3 February 1995 to 3 May 1995. Interest payable on 3 May 1995 will amount to \$163.16 per \$10,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

NAB
Nordic Investment Bank
U.S. \$100,000,000
Collared Floating Rate
Notes due 2003

For the Interest Period 6th February, 1995 to 7th August, 1995 the Notes will carry an Interest Rate of 6.4375 per cent, per annum with a 100 basis point collar.

Amounts of U.S. \$32.55 per U.S. \$1,000 and U.S. \$325.45 per U.S. \$10,000. The relevant Interest Payment Date will be 7th August, 1995.

By: BankAmerica National Trust Company as Fiscal Agent
Date: February 8, 1995

مكتبة الامم



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And you're ready to show the world a bold leap into the future that will land on solid ground.

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INTERNATIONAL COMPANIES AND FINANCE

Fresh doubts hit Metro Pacific's Manila project

By Edward Luce in Manila

Metro Pacific, the Indonesian-controlled property group which last month led the winning consortium in a \$1.5bn bid for a former military base in central Manila, has asked the government for more time to make payments on the deal.

Its bid for the 117-hectare Fort Bonifacio site bordering the Makati financial district was some 30 per cent higher than its nearest competitors. It was regarded as audacious in the equity market, given the need for utility services on the site and the long lead time before Metro can expect a return on its money.

The Bases Conversion Development Authority (BCDA), a government agency which retains 45 per cent ownership of the site, will rule on Metro's rescheduling request in the next few days.

The request has, in any case, cast fresh doubts on the Philippines' largest property deal.

Manila property brokers believe a decision in favour of Metro Pacific would prompt Ayala Corporation, the Philippines' largest property group and runner-up in the Fort Bonifacio bidding, to launch a legal

challenge in the courts.

The five competing groups agreed before bidding began last month that a successful bid could not be contested in the courts unless the winning group requested a change of rules after the contest had closed.

The BCDA would have the right to reclaim the 55 per cent of Metro it sold if it decided to reject Metro's request, and if the company was unable to meet the February 1996 deadline on the second half of the payment. This would be a severe blow to the credibility of Metro, whose shares have been under pressure since the auction last month.

"The Metro ruling is crucial for the Philippine government because it could put into question its ability to manage large-scale privatisations," said one analyst in Manila yesterday. The ruling is also considered to be an important indication of whether Manila's commercial property boom will continue to attract wide foreign interest.

The Metro Pacific-led consortium to develop Fort Bonifacio includes the Philippine flag-ship company of Malaysian property developer Mr Robert Knok, and Land & Houses Public Company, a prominent Thai housing developer.

JCI allays fears over mine merger

Johannesburg Consolidated Investment (JCI), the South African mining group, says it has eliminated much of the risk associated with the planned merger of its Western Areas and South Deep gold mines. Reuter reports from Johannesburg.

"We have a world-class mine in the making... that represents the greatest growth opportunity in the gold mining industry today," group chairman Mr Bill Naim said yesterday.

Shareholders will be asked on February 21 to approve the merger between Western Areas Gold Mining and the adjacent South Deep Exploration.

Mr Naim said the South Deep project had been under investigation for the past 15 years. Some \$200m (\$36.4m) had already been spent assessing the geological and technical aspects of the development.

"We don't want to go in there with risk," he said. "We are happy that this thing technically."

Mr Naim was responding to doubts from some analysts on the value of the project. One said investors had been "burned" before by faulty projections on similar ventures.

Under the merger terms, Western Areas will acquire South Deep's entire mining operations at a ratio of 92 Western Areas shares for every 100 of South Deep's held.

JCI said last week the merged company would need outside funding of \$1.1bn, at July 1994 money terms, and would call an initial rights issue of between \$500m and \$600m after the completion of the merger.

The balance of the money would be sought in 1995.

Host Marriott leaseback

Host Marriott, the US hotels group, has agreed the sale and leaseback of 21 Courtyard hotels to Health and Retirement Properties Trust for \$179m, with 10 per cent of the price deferred, reports Reuter from Washington.

It will share in the properties' future cash flow as part of the transaction.

Health and Retirement will receive annual base rent of about \$18m, plus a percentage rent equal to 5 per cent of the increase in hotel revenues. Host Marriott will receive the properties' residual cash flow. Health and Retirement also receives a one-year option to purchase the remaining 33 Host Marriott-owned Courtyards on similar terms.

NEWS DIGEST

EBS shares up as speculation over takeover persists

Shares in Eridania Béglin-Say (EBS), the French agro-industrial group controlled by Italy's Montedison, rose 5 per cent in Paris yesterday, in spite of Montedison's attempts to dampen takeover speculation, writes Andrew Hill in Milan and David Buchan in Paris.

At a dinner in Paris last week, Mr Umberto Agnelli, chairman of IRI, the quoted Italian holding company, said there were obvious synergies between EBS and Saint Louis, the French food, paper and sugar group controlled by IRI and the French financial holding company Worms.

Montedison, which also has energy and chemicals interests, yesterday reiterated that EBS was "an essential component" in its recovery strategy, and said there were no plans to reduce its EBS stake. "There have been no contacts of any sort with IRI or other potential buyers," Montedison said.

Mr Agnelli had already pointed out last week that any attempt to forge links between EBS and Saint Louis would come under close scrutiny from national and European anti-trust authorities, and would probably require the sale of certain parts of each company.

At one point, EBS shares were up FF72 at FF798, but they closed at FF782. Shares in Montedison rose L6 to L1,290 in Milan.

Production begins on delayed oil project

The Goodwyn A gas drilling and production platform, on the North-West Shelf off Australia's north-west coast, has finally come into production after 18 months' delay, writes Nikki Tait in Sydney. The hold-ups were largely due to engineering problems.

Woodside Petroleum, one of six participants in the project, said the new platform, the largest offshore facility in the southern hemisphere, was started up yesterday. It has begun producing from the first of a dozen production wells.

"An accelerated drilling production programme will see production build up to full plateau capacity, which is expected to be 80,000 barrels a day of condensate, and 900 million cubic feet of natural gas, by mid-1996," it said.

When drilling is completed, the cost of the project is expected to have reached some A\$2bn (US\$1.5bn).

Portman Mining share sale to Citic blocked

Shareholders in Australia's Portman Mining yesterday voted down a proposed A\$37.5m (US\$28.5m) share placement by China International Trust and Investment Corporation (Citic). The deal would have given the large Chinese investment group a controlling 52 per cent interest in the Perth-based group, which it planned to use as a vehicle for resource and mining interests in the Asia-Pacific region.

Portman said after the vote it would review other means of financing a proposed A\$74m coking coal project in Queensland.

Citic was to have procured a 10-year loan for the venture. Commenting on shareholders' action, Portman said: "There was a general view that the fair and reasonable judgment by the independent expert may have been on the low side. There was obviously a block of shareholders which felt the deal was inadequate."

US chemicals group agrees Japanese link-up

FMC, the diversified US chemicals group, has agreed to sell a 20 per cent interest in its Philadelphia-based soda ash business to Nippon Soda Glass and Sumitomo Corp for \$150m. Reuter reports from Chicago. FMC said the two companies would also invest in FMC Wyoming Corp's previously-announced \$138m two-phased solution mining project.

When the deal is completed, FMC's Wy-

oming unit will be solely composed of the company's soda ash business. FMC Wyoming will supply soda ash to the glass manufacturing operations of Nippon Soda Glass, with Sumitomo handling distribution in Japan.

FMC said it would retain management control of both the soda ash business and its Green River, Wyoming soda ash mining and manufacturing facility. The joint venture is expected to be completed in the second quarter of this year.

Harley-Davidson warns of falling margins

Harley-Davidson's operating margins for its motorcycle business may deteriorate this year, said Mr Richard Teerlink, the US company's chief executive. Reuter reports from New York. "We could see margins deteriorating in 1995," Mr Teerlink told analysts. The company's 1994 margin was 14.1 per cent. The company is finalising plans for a new distribution centre in Rotterdam, but Mr Teerlink said it had no plans for a manufacturing plant there.

Mr Jeffrey Bleustein, president of the motorcycle division, reiterated that the company expected to produce 160,000 motorcycles in 1995 and 115,000 in 1997.

He said the company was making 395 motorcycles a day by the end of 1994, 13 per cent higher than in 1993. Mr Teerlink said the company had no plans to produce a 650cc motorcycle, although he acknowledged that was a significant segment of the market.

In New York, the company's shares were \$1.10 lower at \$25.10 in early trading yesterday.

Agco distribution deal

Agco, the rapidly-expanding US farm equipment producer, has reached an agreement to become exclusive distributor in the US, Canada and Mexico for Landini, the Italian tractor producer, writes Andrew Baxter in London.

Atlanta-based Agco will acquire Landini's dealer network in North America, where sales of Landini equipment reached \$28m in 1994. Landini makes specialty tractors used in applications such as vineyards and orchards, and standard agricultural tractors between 40hp and 130hp.

The deal follows Agco's acquisition last June of UK-based Massey Ferguson, which has a 30 per cent stake in Landini.

S Korea scales back bank privatisation

The South Korean government will reduce the number of shares it plans to sell in the state-owned Kookmin Bank, formerly Citizens National Bank, because of poor stock market conditions, writes John Burton in Seoul.

The government originally hoped to sell all of its remaining 47.6 per cent stake, or 27.72m shares, in the bank on February 9 and 10 as part of its privatisation programme. However, it has reduced the amount to 15.8 per cent, or 9.24m shares. It plans to proceed with the sale of the rest of Kookmin shares when market conditions improve.

Taiwan Glass profits ahead 42% for year

Taiwan Glass Industrial Corp has announced a 42 per cent rise in its 1994 preliminary net earnings, to T\$1.82bn (US\$68.2m), or T\$2.86 a share, amid increased demand, AP-DJ reports from Taipei.

The company also forecast a 5 per cent increase in 1995 net earnings, to T\$1.92bn on sales of T\$9.6bn, up 9 per cent from 1994.

Taiwan Glass said it planned to spend T\$30m on a float glass-making plant in mid-western Taiwan. The project will be funded with its own money, reserved earnings and proceeds from planned global depositary receipts.

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NatWest Markets

Issued by National Westminster Bank Plc, a member of NMB

LEGAL NOTICES

ANDREW WICK INSURANCE COMPANY LIMITED

INITIAL PAYMENT TO CREDITORS

A Scheme of Arrangement was approved by the Court of Andrew Wick Insurance Company Limited on 12 April 1994 after receiving High Court sanction and having been granted a court order for the winding up of the company under Section 304 of the US Bankruptcy Code. Pursuant to the terms of the Scheme, the Arrangement, which was approved by the Court of Andrew Wick on 7 February 1995 and the "Final Payment Percentage" of 100%, with the support of the Creditors Committee, Scheme Creditors of Andrew Wick who established claims at that date will be paid the initial payment percentage on their claims within 60 days of the commencement date. Thereafter the initial payment percentage will be paid within 60 days of each claim becoming established. Claims should continue to be agreed with Andrew Wick and if creditors require more information, please contact:

Andrew Wick Claims Department
100 Broad Street, London EC2M 1JF
Tel: 071 816 4965
Fax: 071 702 4815

Full details of the Scheme are available from above address.

No. 000000 of 1994

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
THE ALBERT FRUIT GROUP PLC

IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 24 January 1995 confirming the reduction of the share premium account of the above named Company by £20,000,000 was registered by the Registrar of Companies on 25 January 1995.

Dated this 7th day of February 1995
ASHERIDGE MORGAN & CO
Solicitors for the Company

5 Appold Street
London EC2A 3BA
Tel: 0171 583 2211
Fax: 0171 583 1111
Solicitors for the said Company.

ASLK-CGER IFICO

US\$ 50,000,000

GUARANTEED FLOATING RATE

BONDS DUE 2006

Notice is hereby given that for the tenth six months interest period from January 31, 1995 to July 31, 1995, the Bonds will carry an interest rate of 7.0375% per annum. Interest payable on July 31, 1995 against coupon No 10 will amount to US\$ 353,83 per US\$ 10,000 Bond and US\$ 3538.30 per US\$ 100,000 Bond.

BANQUE UCL S.A.
Agent Bank

PRIVILEGE INVESTMENT SECURITIES AND FUTURES LIMITED

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INFORMATION: Richard Valt
125 Finsbury Pavement, London EC2A 1PA
Tel: +44 (0) 171 842 4803

U.S. \$150,000,000 Floating Rate Depositary Receipts Due 1999

Issued by The Law Debenture Trust Corporation (Cayman) Limited

in accordance with the provisions of the Trust Agreement, notice is hereby given that the Rate of Interest for the three month period ending 9th May 1995 has been fixed at 6.375% per annum. The interest accruing for each three month period will be U.S. \$16.27 per U.S. \$100,000 Receipt, U.S. \$162.73 per U.S. \$1,000,000 Receipt and U.S. \$1,627.26 per U.S. \$10,000 Receipt, against presentation of Coupon No. 1.

88 GARIBOLDI

London Branch

The First National Bank of Chicago

7th February, 1995

Agents Bank

U.S. \$150,000,000 Floating Rate Depositary Receipts Due 1999

Issued by The Law Debenture Trust Corporation (Cayman) Limited

in accordance with the provisions of the Trust Agreement, notice is hereby given that the Rate of Interest for the three month period ending 9th May 1995 has been fixed at 6.375% per annum. The interest accruing for each three month period will be U.S. \$16.27 per U.S. \$100,000 Receipt, U.S. \$162.73 per U.S. \$1,000,000 Receipt and U.S. \$1,627.26 per U.S. \$10,000 Receipt, against presentation of Coupon No. 1.

88 GARIBOLDI

London Branch

The First National Bank of Chicago

7th February, 1995

Agents Bank

LONRHO Plc

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For information please contact
Kenneth A. Lopian (212) 815-2084 in
New York, or Michael McAuliffe
(071) 322-6336 or Diana E. Barham
(071) 322-6338 in London.

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An 'Area Study' or a relevant language (ie. Chinese, Indonesian, Thai) for both programmes

Dates:
From September 1995

Fees:
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Postgraduate Diploma (3 core courses or 2 core courses plus one elective) £2,475

Contact:
Wendy Moor, School of Oriental and African Studies, Russell Square, London WC1H 0XG Tel: 071 837 2338 Fax 071 580 8245.

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appears in the UK edition, every Wednesday & Thursday and in the International edition every Friday

For further information please call:

Andrew Skrzynecki on +44 171 873 4054

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COMPANY NEWS: UK

BA's 57% rise exceeds expectations

By Michael Skapinker,
Aerospace Correspondent

British Airways yesterday exceeded analysts' expectations by announcing third quarter pre-tax profits up by 57 per cent from £56m to £102m (£100m).

Sir Colin Marshall, chairman, said the airline had benefited from strong demand, low fuel prices and continued progress towards its cost reduction target of £150m for the financial year which ends on March 31. He said the outlook for 1995 was encouraging with demand remaining strong, but he warned that price competition remained intense.

He said the prospects for low fuel prices were good as a result of mild winter weather to North America and Europe. The airline's fuel and oil costs fell 9.8 per cent to the third quarter to £147m. This reflected exchange rate benefits and a 4.2 per cent fall in the dollar price of fuel.

Sir Colin repeated his warning, said that BA might have to make a write-down against the book value of its investment in USAir, the struggling carrier in which BA has a 22 per cent stake. BA's stake in the US airline has a book value of £261m.

USAir, which announced last month that it made a net loss for 1994 of \$648.9m, is currently negotiating with its unions on how to cut costs. Sir Colin said the outcome of these negotiations was uncertain. He added, however, that BA's alliance with USAir was unaffected and

that the two airlines would continue with arrangements such as code-sharing and joint frequent flyer programmes. BA still expects benefits from the alliance to be about \$100m (£64m) in the current year.

The airline's other alliances produced varying results. Qantas traded profitably in the quarter but combined losses at TAT European Airlines and Deutsche BA were slightly higher than last year's level.

On its scheduled services, BA carried 7.3m passengers to the third quarter, an increase of 7.4 per cent. Over the nine months, passenger numbers increased 7 per cent to 23.7m. Premium traffic, travelling in Concordia, first or business class, rose 6 per cent to the quarter. BA said, however, that this was a smaller increase than in the previous three months, when premium traffic was up 11 per cent.

For all classes of scheduled flight passengers, yields fell by 0.2 per cent in the third quarter. Yields are the average amount paid by each passenger for each kilometre flown. The fall was the result of the slow-down in the growth of premium traffic, the negative effect of exchange rate movements and price competition.

The third quarter profits figure for the period ended December 31 brought nine month pre-tax profits to £443m, up 47.7 per cent from £300m in the 1993-94 period. Turnover for the third quarter increased 8.2 per cent to £1,668m, bringing the nine-month figure to £5,280m, up 9.3 per cent.

Doubling of raw material costs in six months blamed British Polythene moves Telford output to China

By James Whittington

British Polythene Industries, Europe's largest polythene film producer, is to close its Alida Polysack plant at Telford, Shropshire, in May and shift half its output of plastic carrier bags to China.

Mr Cameron McLatchie, chairman and chief executive, said nearly half the plant's production of 25m bags a week would be shifted to a new facility at Xinhui in Guangdong province, along with Telford's plant and machinery. The rest would be taken up by existing facilities in the UK.

He said the plant had suffered from a doubling of raw material prices over the past six months along with pressure from retailers to cut prices.

Mr John Bunnell, managing director of the retail division, said the decision was taken last week after an unnamed large multiple retailer cancelled its account for polythene bags in favour of an Asian supplier. The order was equivalent to 25 per cent of the plant's turnover of £10m to £11m.

He said that while the loss of an account was nothing new it was combined with a rapid increase in the price of high density polyethylene, the basic polymer used in plastic bags, which had risen from £400 to £750 per tonne since August.

Alida Polysack was bought from Sonoco Products of the US, a rival plastic bag manufacturer, in March 1993 for £24m at about the same time that BPI was discussing

opportunities of expanding into Asia.

The group had been in contact with China's High Point Corporation, a state-owned conglomerate, and eventually agreed to set up a joint venture company called Xinhui Alida Polythene to manufacture lightweight plastic bags.

Mr McLatchie said BPI was the first European investor to enter China's polymer film market and initial production of 15m bags a week would begin in April.

Under the £5.5m joint venture agreement BPI owns 60 per cent of the company, providing the expertise and technology, while High Point, with the remaining 40 per cent, provides buildings and help with China's bureaucracy.

Laura Ashley expects £35m charges in latest reorganisation

By Neil Buckley

Laura Ashley, the clothing and furnishings group, has launched another management reorganisation which will incur £35m (£65m) charges and 200 job losses.

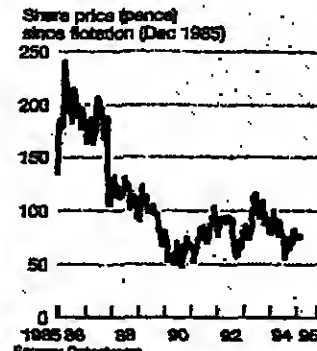
The exceptional costs will take the company well into the red for the year to the end of January. Before the charges, analysts had been forecasting pre-tax profits of about £2m - compared with £2m profits on turnover of £200m in 1993-94.

It will be Laura Ashley's fourth loss after exceptional costs since 1990. In the past four years the group has undergone almost constant reorganisation.

Mr Hugh Blakeway Webb, chairman, insisted the latest moves would lead to annual savings of £10m, returning Laura Ashley to "more satisfactory levels of profit".

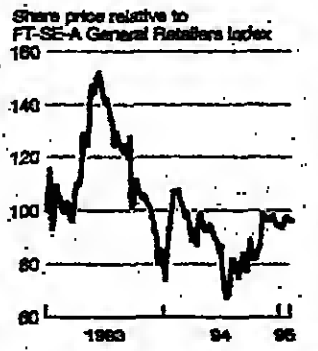
The reorganisation involves slimming down Laura Ashley's North American and continental European head offices in

Laura Ashley



Boston, Massachusetts, and Eindhoven in the Netherlands, bringing those regions under the control of one worldwide headquarters in Berkshire. Laura Ashley is making a "managed exit" from its small, loss-making business in Australia, and plans to replace 40 smaller stores in the US with 20 larger ones. Manufacturing will be a stand-alone business. Accounting changes, especially tougher treatment of depreciation, will account for £10m provisions and reduce the group's base profitability by about £2m.

Share price relative to FT-SE-A General Retailers Index



Fund desertions hit Henderson

By Norma Cohen,
Investments Correspondent

Henderson Administration, the UK-based fund management group, yesterday issued a profit warning, saying that mediocre investment performance had led to "significant" desertions of key pension fund clients.

The company declined to be drawn on the extent of the funds outflow, but analysts estimate that nearly £2bn (£3.12bn) of Henderson's £5.3bn in pension assets as of its last financial year end on March 31 1994 could have gone. Pre-tax profits for the year are likely to be below the £20.5m in 1994. Its shares closed 63p lower at £10.13p.

Separately, Mr Jeremy Edwards, long-time managing director at Henderson, said he may retire as soon as a successor is found, rather than wait until the end of 1996 as originally planned. He had been joint managing director from 1980 and managing director since 1988.

"If we find my successor, I may well step aside," Mr Edwards said, adding that the search, which has been going on since last year, is "well under way".

Pension consultants say that Henderson's difficulties are symptomatic of the increasingly competitive environment for fund management in the UK. As pension scheme surpluses erode, companies are increasingly seeking high investment returns to offset the need for corporate contributions.

Henderson has been fighting an outflow of pension clients due to poor performance for several years. Despite several changes of fund managers, investment returns over three and five years are just straddling the median. "If you haven't got above-median results for three or five years, you are out of the frame," Mr Jeremy Edwards, the group's managing director, said. Results for 1994 would be "only marginally" below the industry median, he said.

Saatchi damages hold-up

By Diane Summers,
Marketing Correspondent

A \$50m damages claim by Saatchi & Saatchi, the turbulent advertising group, against the former chief executive of its North American advertising network has been held up in the US courts, pending the outcome of UK legal action.

Judge Herman Cain ruled in the supreme court of the State of New York yesterday that the case against Mr Bill Mairhead could be heard in the US, but should follow separate proceedings against him and other former Saatchi executives due to start in the High Court in London tomorrow.

Management buys Crompton Lighting

By Motoko Rich

A management team from Crompton Lighting has paid \$24.2m (\$37.2m) to buy the UK lighting business and its distribution companies in Australia and New Zealand from BTR, the industrial conglomerate.

A three-man buy-out team led by Mr Graeme Brook, Crompton's chief executive, raised \$26.2m for the purchase, which made a pre-tax profit of £2m in cash.

Sl, the venture capital group,

provided £13m, and the Bank of Scotland in Leeds provided £14.5m in senior debt facilities.

Crompton, which was bought by BTR in 1981, employs 500 people and had sales of £32m in 1994, of which its Australian and New Zealand marketing and distribution offshoots accounted for some 20 per cent.

The company was part of BTR's control and electrical systems operations, a sector which made a pre-tax profit of £214m on turnover of £1,086m in 1993.

BNP sells £1.5bn mortgage book

By Motoko Rich

Halifax Building Society has completed the purchase of the centralised lending business of Banque Nationale de Paris, acquiring £1.5bn (\$2.34bn) in mortgage assets.

The acquisition, which amounts to about 0.5 per cent of the total UK mortgage market, was made by Halifax Loans, the society's wholly owned subsidiary. As a result, Halifax Loans' total mortgage assets will rise to £2.7bn.

This is the first time that Halifax, the UK's largest mortgage lender, has acquired a centralised lender. It plans to use the business, which will be called Halifax Mortgage Services, to address the introducer market - business gained through mortgage brokers - and offer products distinct

from those available through its branch offices.

The purchase follows the purchase by Abbey National, the UK's second-largest mortgage lender, of Household Mortgage Corporation to develop a separate channel for distribution.

Halifax said it would honour the terms and conditions of existing BNP borrowers. BNP customers on the standard variable rate pay a different rate than Halifax customers. Halifax's current rate is 8.35 per cent, while BNP's rate is 8.47. Before last week's UK interest rate rise, BNP's rate was 7.97 per cent and the Halifax rate was 8.1 per cent.

"We are not saying we will never bring the rates in line but from day one we won't," said Mr Colin Duggieby, managing director, Halifax Loans.

CMG to delay plans for listing

By Alan Cane

Computer Management Group, one of Europe's largest privately held computing services companies, is to delay plans to seek a Stock Exchange listing because of poor market sentiment.

Mr Douglas Gorman, chairman, said disappointing results from computing services companies in recent weeks had damaged market confidence in the sector.

"In these circumstances, we have decided not to float in spring 1995. However, with a solid 30-year trading record behind us, this decision, taken

in conjunction with our financial advisers, does not hinder our business plans for 1995 and we continue to keep all future options open".

CMG's financial adviser is Kleinwort Benson. The decision to delay setting a date for flotation follows a string of poor results and profits warnings from companies which have come to market over the past two years.

In the most dramatic case, McDonnell Information Systems, a services company with a sound financial track record prior to flotation, has issued two profits warnings in four months.

Companies say they are still trying to cut prices and sell capacity Generators promise dividend rises

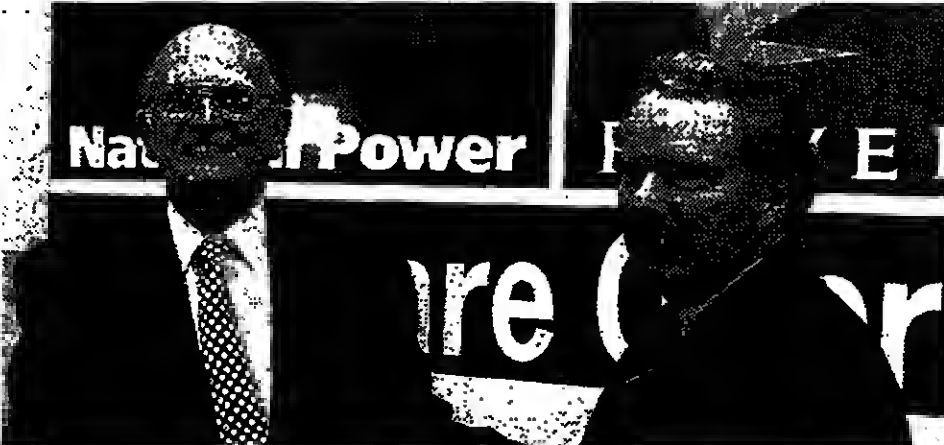
By David Lascelles

National Power and PowerGen are promising strong dividend increases ahead of the sale of the government's 40 per cent stake in each company this month.

According to the pathfinder prospectus, issued yesterday, National Power expects to raise its dividend by 24 per cent this year, and PowerGen by 18 per cent. All investors who buy shares in the sale will qualify for dividends, even though they will only have to pay for their shares to instalments.

The strong increases reflect the fact that both National Power and PowerGen will be buying back up to 8 per cent of their own shares to the sale, so the total available for dividends will be spread among fewer shares. However, the two generation companies also have a policy of reducing dividend cover.

The prospectus also highlights the uncertainty they face from the risk of referral to the Monopolies and Mergers Commission by Professor Stephen Littlechild, the industry regulator, over their undertakings to keep electricity prices down and sell off a portion of their capacity. Prices have soared recently, and neither of



John Baker, left, and Ed Wallis: believe that the chances of a monopolies referral are remote

the generators has sold any plant.

Prof Littlechild will be considering these issues to see whether a monopoly inquiry is called for.

The two companies state in the prospectus that they are still trying to meet these commitments, but events are not totally within their control. Mr John Baker, National Power's chief executive, and Mr Ed Wallis, his counterpart at PowerGen, said yesterday that the chances of a referral seemed remote.

The government will retain a

special share in each company, giving it power to veto a takeover. The deadline for private investors to register for the sale with a share shop is February 14, ahead of the issue launch on February 15. Applications must be in by noon on March 1.

Pricing and the basis of allocation will be announced on March 6 and trading in the new shares will begin the same day.

The minimum investment will be 200 shares, comprising 120 National Power and 80 PowerGen. This implies a minimum cost of about £1,000 (£1,500), of which £362 will be payable on application.

The timetable for the international tender offer that will run to parallel for institutional investors will have a bid deadline of March 3. This will determine the price of the sale, and the UK public offer will be priced at a discount to this.

Payment will be in three instalments timed to fall in different tax years: the first is due on application, the second on February 6 1995 and the third on September 17 1996.

RESULTS

	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends compared with last year	Total for year	Total last year
British Airways	5,280 (4,832)	443 (300)	34.5 (25.4)	-	-	-	-	11.1
Dividends	-	-	-	4.3 (2.1)	-	-	-	-
Treasury Stock	23.3 (15.3)	2.1 (1.8)	2.55 (1.45)	-	-	-	-	-
	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends compared with last year	Total for year	Total last year
Investment Trusts	-	-	-	-	-	-	-	-
French Property	67.54 (67.34)	0.37 (0.44)	1.48 (1.79)	1.45	Apr 28	1.4	1.45	1.4
US Stockholder	155.3 (158.6)	0.142 (0.197)	0.28 (0.4)	-	-	-	-	0.5

Dividends shown net. Figures in brackets are for corresponding period. SUEB stock. After exceptional credit.

A Fisher expansion

Albert Fisher, the food processing and distribution group, is participating in the management buy-out of Aqua Star, a wholly owned subsidiary of BP Nutrition, to create a business with net assets of \$9m.

Fisher is to invest \$5.4m into a new partnership together with an investment of net assets of \$3.6m by the management of Aqua Star.

The partnership represents a significant expansion of Fisher's seafood operations into the US. Aqua Star, based in Seattle, imports, processes and distributes salmon, shrimps and shellfish in the US.

Aqua Star, which had sales of \$151m and operating profits of \$3.3m for the year to December 31, was one of the last remaining nutrition businesses still to be sold.

The new business will have bank borrowings of \$22m.

Volvo purchase

Volvo Group is paying \$816.7m to acquire the remaining 25 per cent of Maycar, its Singapore-based cable assemblies subsidiary, from Mr Jay Pok, the former owner.

Consideration will be satisfied by the payment of \$88.2m in cash and the issue of 1m Volvo shares. These are being placed at 360p per share.

THE BRISTOL PORT COMPANY

£ 30,000,000
Long-Term Loan
secured on certain port assets

provided by
BHF-BANK
London Branch

IKB Deutsche Industriebank AG Hamburgische Landesbank
Dusseldorf London Branch

arranged by
BHF-BANK
London Branch

and

£ 5,000,000
Project Finance Facility

provided by
BHF-BANK
London Branch

صندوق الاستثمار

Wave of selling takes LME prices for dive

By Kenneth Gooding,
Mining Correspondent

Prices on the London Metal Exchange in early trading yesterday plunged under pressure from a fresh wave of selling by speculators and investment funds.

Some bargain hunting helped to steady the markets by the close in London but all the metals were still showing substantial price falls. Nickel and lead were hardest hit, each ending more than 8 per cent down. The LME's two most heavily-traded metals, aluminium and copper, fell by 3.8 per cent and 2.9 per cent respectively.

Many analysts suggested that metal prices had risen too far too fast and were in need of a correction before moving up again more steadily.

"This was a corrective move rather than a change of direc-

tion," said Mr Angus MacMillan, research manager at Edilion Metals, part of the GenCorp group. Physical demand for all the LME metals was very strong and economic recovery in Europe and Japan was more than compensating for slowing growth in the US.

However, Mr Nick Moore, an associate of Jardine Fleming, insisted that, while the price fall was "a much needed dose of sobriety," it was not just a correction but "a denting of metal prices." He suggested that prices might fall by 20 to 30 per cent from the peaks they reached in mid-January. But this would still be very profitable for metals producers.

Last night in London copper for delivery in three months closed \$76 per cent below the 5% year peak of US\$8,081, a

below its 5% high of \$2,195 a tonne; while nickel was 15.28 per cent below its 5% year peak. Mr Jim Lemon, analyst at Macquarie Equities, part of the Australian banking group, said the sell-off seemed to have been started by Friday's US employment statistics which were seen as indicating that US economic growth was slowing and that a bond market rally was imminent.

Other commodity markets were also battered by fund and speculator selling. However, in contrast, oil prices hit new highs for the year yesterday in a rally sustained by the first cold snap of the northern hemisphere winter to hit the US. "Forecasts for the next fortnight indicate temperatures well below the norm and that's good for heating oil demand," Mr Peter Gignoux at brokers Smith Barney in London told Reuters.

World benchmark North Sea Brent Blend crude futures for March delivery by early-afternoon reached a high of \$17.35 a barrel, a 15 cent increase on top of Friday's late gains. Prices later retreated a little to \$17.25 but were still at the highest level since the end of November.

Growth in sea rigs predicted

By Karen Fosell in Oslo

The North Sea rig market will experience an upturn in 1995 after a two-year lull, led by increased demand to accommodate greater activity in the UK sector, according to a report by Wood Mackenzie, the Edinburgh-based energy consultant.

Activity will pick up more slowly in Norway, however, as usage becomes constrained by a limited supply of suitable rigs. WoodMac forecasts utilisation rates for semi-submersible rigs approaching 100 per cent by summer and averaging around 90 per cent for the year. North Sea demand for semi-submersibles is expected to increase by 28 per cent in 1995.

Canadian drill site dispute

By Bernard Simon in Toronto

A group of aboriginal Canadians has demanded the eviction of Vancouver-based Diamond Fields Resources from a promising nickel and copper exploration site at Voisey Bay, Labrador.

Members of a local Innu community, which claims jurisdiction over the area, disrupted work at the site over the weekend, and are now in a stand-off with police. Diamond Fields and its partner Archem Resources said that they plan to apply for a legal injunction. Diamond Fields released new drilling results yesterday from Voisey's eastern section which it said pointed to higher grades than previous samples from the western end.

Trying for a soft landing in Geneva

Kieran Cooke reports as natural rubber prices hit a 40-year peak

Asia's stock markets are in the doldrums but the region's commodity traders have rarely been busier. Palm oil and tin markets are bullish, but the sector's star performer is rubber. The price of natural rubber has risen by nearly 40 per cent during the past year to stand near levels not seen since the early 1950s.

Whether or not the present prices are sustainable is not just a matter of debate among commodity traders. Arguments over pricing are also likely to dominate a meeting of natural rubber producers and consumers in Geneva this week.

The talks, which began yesterday, are being held to finalise details of a new international natural rubber agreement, leading to increased market speculation and price volatility.

Producers are keen on signing a new agreement but it won't be at all costs," says Mr Ng Kok Tee, deputy chairman of the Malaysian rubber exchange licensing board. "The present market trend is a clear indication that the reference price should be raised. Consumers have always said in spite of the high prices, the fall-off in production in south-

Thailand, Indonesia and Malaysia, which together produce more than 70 per cent of the world's natural rubber, argue that the reference price must be raised. In order to reflect the recent surge in prices. Consumer countries, backed up by the big tyre companies, say the price increases are only a temporary phenomenon and should not be used to establish higher prices over the long term.

Producers countries want at least a 5 per cent rise in the reference price, arguing that it has remained virtually unchanged since the late 1970s. They warn that if this is not achieved, latex could collapse, leading to increased market speculation and price volatility.

"Producers are keen on signing a new agreement but it won't be at all costs," says Mr Ng Kok Tee, deputy chairman of the Malaysian rubber exchange licensing board. "The present market trend is a clear indication that the reference price should be raised. Consumers have always said in spite of the high prices, the fall-off in production in south-

East Asia, caused by the present "wintering" of rubber trees, means that supplies will remain tight. Further supply cutbacks could be caused by flooding in rubber growing areas of Indonesia, the world's second biggest producer after Thailand. A stockpile of about 220,000 tonnes of natural rubber held by the buffer stock manager has been exhausted in the fight to stabilise prices; market forces and not the activities of the buffer stock manager are now controlling prices.

More broadly, the producers point to the restructuring of south-east Asia's economies. The economies of Malaysia and Thailand are industrialising fast and are no longer as dependent as they once were on natural rubber and other commodities. Many Malaysian rubber farmers have either sold off their land for industrial development or have been forced to abandon production due to labour shortages. Low prices in the early 1990s also encouraged a switch to the more profitable palm oil.

Malaysia's natural rubber output has been steadily falling from 1.66m tonnes in 1988 to 1.1m tonnes in 1993 and an estimated 1.02m tonnes last year. Smallholders, who

account for about 70 per cent of Malaysia's total production, show few signs of rushing to increase output. Mr Mohamad Nor Maidin, the secretary general of Malaysia's national association of smallholders, says recent price increases have led to only marginal growth in output. But while consumer countries have these arguments forcefully presented to them, producer countries are loath to abandon attempts to form another Inra. They realise that big price swings which could be the result of a free rubber market would hurt producers just as much as consumers.

Producers countries have also been making substantial investments to develop downstream rubber processing industries. Malaysia is now both a rubber exporter and importer - a producer and a consumer. In the first seven months of 1994 Malaysian natural rubber imports increased by more than 50 per cent compared with the same period in the previous year. "The end of Inra has been threatened many times," says a Singapore-based rubber trader. "Each time both sides pull back from the brink. The same thing will probably happen again."

Call for new green scheme to boost world crop yield

By Deborah Hargreaves

The world urgently needs another green revolution to give a dramatic boost to crop yields if it is to feed the growing population over the next 10 years, according to Mr Ismail Serageldin, chairman of the Consultative Group on International Agricultural Research, sponsored by the World Bank.

At a meeting in Lucerne on Thursday with government ministers and research agencies from around the world, the CGIAR will argue for a more co-ordinated approach to agricultural research to try to combat world hunger. It will also try to agree an international agenda for priority issues.

"There is an unwarranted complacency about the future food situation, because most countries have abundant food supplies now," Mr Serageldin said.

But he points out that 700m people are still hungry and the world's population is set to grow at a rate of 85m people every year for the next 20 years. The CGIAR spends \$272m a year on research

which it says is a very small portion of most countries' overall aid budgets. Although Mr Serageldin is wary of calling for more funding at a time when international agencies such as the World Bank are being criticised for excess spending, he points to the importance of maintaining current levels of expenditure.

Mr Serageldin says the next farm revolution needs to be "doubly green" to take into account environmental considerations as well as the need to boost crop yields. India's green

revolution in the 1960s and 1970s placed a heavy emphasis on wide scale use of fertilisers to increase yields.

But farm researchers are now looking at ways of improving crop breeds so that they require fewer resources and lower applications of chemicals and pesticides. The CGIAR which is supported by 40 donor countries, wants to play a greater role in disseminating agricultural research information. "We are in a race with time, to develop the appropriate technology," said Mr Serageldin.

Demand increasing faster than yields

Crops	Demand for food Today	% change 20 years	Yields Today	% change 20 years
Bananas	37,178	+46.7	11.1	+14.2
Barley	31,554	+79.2	1.3	+22.4
Cassava	129,011	+39.5	9.7	+16.7
Food legumes	31,275	+32.1	0.7	+13.2
Meat	142,601	+115.0	2.6	+72.1
Millet	23,524	+28.1	0.7	+12.4
Plains	26,337	+29.4	5.7	+12.5
Potatoes	49,523	+115.2	12.7	+24.6
Rice	314,125	+71.1	3.5	+52.0
Sorghum	42,630	+54.4	1.1	+18.3
Sweet potatoes	42,199	+36.7	13.5	+20.4
Wheat	188,445	+97.3	2.4	+95.1

* In 100 million tonnes * 1 metric tonne=1,000kg

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Antwerp Metal Trading)

ALUMINIUM, 99.99% (per tonne)

Close 2000-1 2000-5

Previous 2000-1 2000-5

High/Low 2000-1 2000-5

AM Official 2000-1 2000-5

Kerb close 2000-1 2000-5

Open Int 2000-1 2000-5

Total daily turnover 2000-1 2000-5

ALUMINIUM ALLOY (per tonne)

Close 1995-50 1995-2000

Previous 1995-50 1995-2000

High/Low 1995-50 1995-2000

AM Official 1995-50 1995-2000

Kerb close 1995-50 1995-2000

Open Int 1995-50 1995-2000

Total daily turnover 1995-50 1995-2000

LEAD (per tonne)

Close 5950-7.5 570-7

Previous 5950-7.5 570-7

High/Low 5950-7.5 570-7

AM Official 5950-7.5 570-7

Kerb close 5950-7.5 570-7

Open Int 5950-7.5 570-7

Total daily turnover 5950-7.5 570-7

TIN (per tonne)

Close 5490-500 5590-90

Previous 5490-500 5590-90

High/Low 5490-500 5590-90

AM Official 5490-500 5590-90

Kerb close 5490-500 5590-90

Open Int 5490-500 5590-90

Total daily turnover 5490-500 5590-90

25% special high grade (per tonne)

Close 1029-7 1029-4

Previous 1029-7 1029-4

High/Low 1029-7 1029-4

AM Official 1029-7 1029-4

Kerb close 1029-7 1029-4

Open Int 1029-7 1029-4

Total daily turnover 1029-7 1029-4

COOPER, grade A (per tonne)

Close 2914-5 2914-5

Previous 2914-5 2914-5

High/Low 2914-5 2914-5

AM Official 2914-5 2914-5

Kerb close 2914-5 2914-5

Open Int 2914-5 2914-5

Total daily turnover 2914-5 2914-5

COOPER, grade B (per tonne)

Close 2914-5 2914-5

Previous 2914-5 2914-5

High/Low 2914-5 2914-5

AM Official 2914-5 2914-5

Kerb close 2914-5 2914-5

Open Int 2914-5 2914-5

Total daily turnover 2914-5 2914-5

COOPER, grade C (per tonne)

Close 2914-5 2914-5

Previous 2914-5 2914-5

High/Low 2914-5 2914-5

AM Official 2914-5 2914-5

Kerb close 2914-5 2914-5

Open Int 2914-5 2914-5

Total daily turnover 2914-5 2914-5

Precious Metals continued

GOLD COMEX (100 Troy oz; \$/troy oz)

Feb 376.3 -0.5 376.8 376.8 2,196 1,126

Mar 376.8 -0.5 - - - -

Apr 376.8 -0.5 376.8 376.8 1,126 1,126

May 376.8 -0.5 376.8 376.8 1,126 1,126

Jun 376.8 -0.5 376.8 376.8 1,126 1,126

Jul 376.8 -0.5 376.8 376.8 1,126 1,126

Aug 376.8 -0.5 376.8 376.8 1,126 1,126

Sep 376.8 -0.5 376.8 376.8 1,126 1,126

Oct 376.8 -0.5 376.8 376.8 1,126 1,126

Nov 376.8 -0.5 376.8 376.8 1,126 1,126

Dec 376.8 -0.5 376.8 376.8 1,126 1,126

Total 376.8 -0.5 376.8 376.8 1,126 1,126

PLATINUM COMEX (50 Troy oz; \$/troy oz)

Feb 412.8 -1.2 414.0 414.0 16,200 2,292

Mar 412.8 -1.2 414.0 414.0 16,200 2,292

Apr 412.8 -1.2 414.0 414.0 16,200 2,292

May 412.8 -1.2 414.0 414.0 16,200 2,292

Jun 412.8 -1.2 414.0 414.0 16,200 2,292

Jul 412.8 -1.2 414.0 414.0 16,200 2,292

Aug 412.8 -1.2 414.0 414.0 16,200 2,292

Sep 412.8 -1.2 414.0 414.0 16,200 2,292

Oct 412.8 -1.2 414.0 414.0 16,200 2,292

Nov 412.8 -1.2 414.0 414.0 16,200 2,292

Dec 412.8 -1.2 414.0 414.0 16,200 2,292

Total 412.8 -1.2 414.0 414.0 16,200 2,292

PALLADIUM NYMEX (100 Troy oz; \$/troy oz)

Feb 108.5 -0.5 109.0 109.0 4,340 130

Mar 108.5 -0.5 109.0 109.0 4,340 130

Apr 108.5 -0.5 109.0 109.0 4,340 130

May 108.5 -0.5 109.0 109.0 4,340 130

Jun 108.5 -0.5 109.0 109.0 4,340 130

Jul 108.5 -0.5 109.0 109.0 4,340 130

Aug 108.5 -0.5 109.0 109.0 4,340 130

Sep 108.5 -0.5 109.0 109.0 4,340 130

Oct 108.5 -0.5 109.0 109.0 4,340 130

Nov 108.5 -0.5 109.0 109.0 4,340 130

Dec 108.5 -0.5 109.0 109.0 4,340 130

Total 108.5 -0.5 109.0 109.0 4,340 130

SILVER COMEX (100 Troy oz; \$/troy oz)

Feb 490.1 -0.4 490.5 490.5 102 102

Mar 490.1 -0.4 490.5 490.5 102 102

Apr 490.1 -0.4 490.5 490.5 102 102

May 490.1 -0.4 490.5 490.5 102 102

Jun 490.1 -0.4 490.5 490.5 102 102

Jul 490.1 -0.4 490.5 490.5 102 102

Aug 490.1 -0.4 490.5 490.5 102 102

Sep 490.1 -0.4 490.5 490.5 102 102

Oct 490.1 -0.4 490.5 490.5 102 102

Nov 490.1 -0.4 490.5 490.5 102 102

Dec 490.1 -0.4 490.5 490.5 102 102

Total 490.1 -0.4 490.5 490.5 102 102

CRUDE OIL NYMEX (42,000 US gals; \$/barrel)

Feb 16.85 -0.13 16.83 16.83 80,581 44,211

Mar 16.85 -0.13 16.83 16.83 80,581 44,211

Apr 16.85 -0.13 16.83 16.83 80,581 44,211

May 16.85 -0.13 16.83 16.83 80,581 44,211

Jun 16.85 -0.13 16.83 16.83 80,581 44,211

Jul 16.85 -0.13 16.83 16.83 80,581 44,211

INTERNATIONAL CAPITAL MARKETS

Good reception for \$400m IFC issue

By Martin Brice

The euromarkets yesterday saw the biggest dollar bond issue since the rise in US interest rates last week, with the International Finance Corporation, the World Bank affiliate, raising \$400m.

INTERNATIONAL BONDS

Syndicates also saw a three-tranche deal from the Bank Nederlandse Gemeenten aimed at different investor bases, and an offering from Volvo which lead manager Dresdner Bank put into syndicate without the fixed-reoffer price mechanism.

The IFC 10-year bonds came at 27 basis points over the comparable Treasury via SBO and BZW, which said the deal had a good reception from central

banks and UK fund managers. The last dollar fixed-rate issue in the 10-year sector was the callable from Fannie Mae on January 17. Some of the IFC bonds were being held back for overnight sales into Japan, said BZW.

The three-tranche deal from BNG was the first from ABN Amro Hoare Govett after its remaining, and involved bonds of \$500m, \$500m and \$500m, all at the 10-year maturity. The proceeds were swapped into fixed-rate guilders.

In spite of the same maturity, ABN said there was no overlap between investors targeted by the different issues. The \$500m deal was aimed at Dutch and Benelux retail investors, while the \$500m offering was targeted at Swiss institutions. The \$500m bonds, which came at 30 basis points over the comparable

Treasury, received a good reception in Hong Kong, Tokyo and the Middle East.

Volvo Finance Corporation, which is unrated, brought its first D-Mark deal when it raised DM250m with a five-year

offering priced at 55 basis points over the comparable bond. Lead manager Dresdner Bank said it had bought back just DM150m of bonds.

Nippon Telegraph and Telephone, which is rated AAA,

raised DM400m with 10-year bonds via Paribas and Deutsche Bank, which said it had bought none back from syndicates. The bonds were brought at 15 basis points over the comparable bond.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount	Coupon	Price	Maturity	Yield	Spread	Book runner
US DOLLARS							
Int. Finance Corp	400	7.575	98.41R	Feb 2005	0.325	+15 (75-80)	ECW / SBC
BNG	250	7.575	98.41R	Mar 2005	0.325R	+15 (75-80)	ABN Amro Bank
YEN							
DSL*	100m	4.45	98.88R	Mar 2002	Undat	-	Sekura Finance
D-MARKS							
NTT	400	7.125	98.90R	Mar 2000	0.25R	+15 (75-80)	Deutsche Bk. / Paribas
Volvo Corp. Finance	250	7.50	102.00	Mar 2000	2.75	-	Dresdner Bank
SWISS FRANC							
CHS	300	5.375	102.80	Mar 2000	2.75	-	Swiss Bank Corp.
BNG	150	5.375	102.25	Mar 2000	2.75	-	ABN Amro Hoare Govett
GUILLERS							
BNG	500	7.75	98.45R	Mar 2005	0.325R	+22 (74-75)	ABN Amro Bank
SECURITIES							
Credit Local de France	150m	(9)	100.35	Mar 2000	-	-	EPF

*First terms, non-callable unless stated. Yield spread (over 100-basis point bond) at launch supplied by lead manager. *Undated. 2 Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. A: To be priced today. B: pays 1 month Libor -0.025.

High-yielding European trio gains ground

By Graham Bowley in London and Lisa Branstetter in New York

The high-yielding government bond markets of Italy, Spain and Sweden rose yesterday, as other European markets traded lower.

Bond prices in Italy, Spain and Sweden moved higher and yield spread over German bunds narrowed as markets stabilised and budget and political concerns receded.

The yield spread on Italian government bonds narrowed to 473 basis points over German bunds from 488 basis points on Friday.

In Spain, the spread narrowed to 430 to 415 basis points over bunds.

"People are becoming more comfortable about going into these markets to pick up extra yield," said Mr Michael Pratzen, senior bond strategist at F&N Weber.

Other markets pushed higher early in the session on the back of gains in the US Treasury market on Friday.

However, prices then drifted lower as dealers took profits and US Treasuries opened weaker. Concerns over supply also weighed on markets.

"People are still concerned about European markets and about whether German interest rates are going," said Mr Senjay Joshi, chief economist at Daiwa.

German government bonds fell, with the March futures contract on Life back to 94.49 in late trading, down 0.06 point compared with Friday's close.

The prospect of further supply at tomorrow's auction of government bonds caused some anxiety, dealers said. Details of the auction are expected today.

Lack of progress on wage talks in Germany also caused

concern, traders said.

"This negative background of further supply and no progress on the wage talks held prices back," said Mr Adrian Owens, European economist at Yamaichi.

GOVERNMENT BONDS

French government bonds rose in thin trading volumes, supported by the strength of the French franc.

They outperformed the German market, with the March notional bond contract on Mafit setting up 0.26 point, at 111.96 and the yield spread over bunds narrowing to about 60 basis points.

Gilts ended the day flat, plagued by worries over weakness of the government.

"Sterling was put under pres-

sure, which meant that sterling assets underperformed," said Mr Joshi.

Attention today will be on industrial production figures which economists are expecting to show a rebound in production in December after falling in November.

In late trading, the long gilt future was up $\frac{1}{8}$ at 101 $\frac{1}{8}$.

US Treasury prices were modestly lower yesterday morning as investors took profits from Friday's soaring market and prepared for the sale of \$400m in new securities later this week.

At midday the benchmark 30-year Treasury was down $\frac{1}{8}$ at 94 $\frac{1}{8}$ to yield 7.638 per cent. At the short end, the two-year note fell $\frac{1}{8}$ to 100 $\frac{1}{8}$ yielding 7.155 per cent.

There was profit-taking on yesterday's markets in the wake of Friday's buying spree that saw the long bond gain

more than 1 $\frac{1}{2}$ point with its yield dropping to 7.63 from 7.74 late Thursday.

Traders also sold securities in advance of Treasury refunding operations. Today, the Treasury is to sell \$170m in three-year notes with \$120m in 10-year notes to be auctioned tomorrow and \$11m in 30-year notes on Friday.

The market paid little attention to commerce department data that showed a decrease in the number of privately owned homes completed in December.

In December housing completions fell 1.6 per cent from the revised November figure that showed completions up 0.5 per cent. Previously, the department had said completions were down 1.3 per cent in November.

The yield curve held its shape as traders awaited more economic news before deciding how optimistic to be about waning inflation.

Jumbo loan of \$600m is raised for Greece

By Martin Brice

Greece has raised \$600m in its second jumbo loan within a year.

SYNDICATED LOANS

The five-year loan carries a margin of 80 basis points over the London interbank offered rate (Libor), and has a grace period of 3 $\frac{1}{2}$ years during which the repayable will repay only interest.

These are similar terms to the \$500m which Greece raised last May in the country's first loan under its new sovereign name, the Hellenic Republic. Greece had planned to raise \$500m with this latest loan but the response from banks led to it being increased to \$600m. A banker close to the deal said: "There was a lot of interest."

This oversubscription reflects the success of other sovereign borrowers in the international credits market.

Spain raised \$600m at 8.75 basis points over Libor in May and Sweden raised \$60m at 8 basis points over Libor in December. A DM30m loan for Portugal at a price of 7.75 basis points over Libor is in syndication among banks.

International lenders are keen to supply funds for sovereign borrowers because they are seen as having a high credit adequacy purposes, which means banks need not set aside capital against the loans.

Joint bookrunners are Citibank and NatWest Markets. Some 21 banks have agreed to underwrite \$28.57m each. The loan will now go into syndication and is likely to be signed in early March.

OMLX to extend flex contracts

By Richard Lapper

OMLX, the London-based securities and derivatives exchange owned by Sweden's OM Group, yesterday announced it will extend its flex contracts.

After being granted a licence by the stock exchange, OMLX is launching flex options and futures on the FT-SE 100 index and other UK stock market indices.

Trading in the contracts - dubbed flex because they offer investors greater flexibility than traditional exchange-traded derivatives - will begin on Monday. The London International Financial Futures Exchange (Liffe), the UK's largest futures and options exchange, is planning to launch its own flex contracts in the first half of 1995.

Last year OMLX launched flex contracts on the FT-SE 250 index, on the OMLX Swedish stock options index, futures indices and on 24 individual Swedish shares.

It is the only UK exchange to trade flex contracts, although these are traded on other international exchanges - including the Chicago Board Options Exchange (CBOE) and the European Options Exchange of Amsterdam.

Mr Lynton Jones, chief executive of OMLX, said: "In launching flex on the FT-SE 100 and the complete range of UK Series Indices we are demonstrating our strong belief that derivatives markets must respond in an innovative and progressive manner to the challenges and opportunities thrown up by the over-the-counter markets."

Flex arrangements allow investors to customise terms of each contract - varying terms, expiration date and style of options, and the index multiplier and expiration date of futures. As well as the FT-SE

100 and FT-SE Actuaries 350, the contracts will also cover the 38 FT-SE 50 industry baskets. In total 41 UK series indices will be available in flex.

"They provide the flexible and customised attributes of OTC contracts with the guaranteed security of clearing and the price discovery mechanism of a recognised investment exchange," said Mr Jones.

The OMLX will also clear and settle the contracts. Mr Jones also said OMLX intends to delist the FT-SE mid-250 as a standardised contract.

"The experience exchanges have had with trading the FT-SE Mid 250 as a standardised contract have led us to believe that certain products are more suitable for trading in flex format," he said.

Mr David Courtney, OMLX marketing director, stressed that the traders of the new products are guaranteed "total confidentiality and anonymity" by virtue of OMLX's phone and screen-based trading system.

He stressed, however, that the new flex products were not designed to win business from the exchange-traded market.

The exchange is aiming its product, at least in part, towards securities firms and banks whose credit ratings are not strong enough to permit extensive involvement in the over-the-counter market.

"We are setting our stall to attract business currently being done over the counter," said Mr Jones. "We don't want to suck volume out of the exchanges."

Life, meanwhile, said it has completed "comprehensive research" and is developing its own flex products. "It is no secret that we have been working on these products for some time," said Ms Karen Forsythe, director of equity products at Life.

OMLX was founded in 1989.

WORLD BOND PRICES

BENELUX GOVERNMENT BONDS

Coupon	Red Date	Price	Day's change	Yield	Week	Month
Australia	9/04/04	93.7300	+0.820	10.03	10.18	10.16
Austria	5/00/05	98.5000	-0.880	7.85	7.82	7.82
Belgium	7/25/04	98.0000	+0.210	8.25	8.25	8.25
Canada*	9/00/04	100.1500	+0.300	8.97	9.30	9.07
Denmark	7/00/04	98.1700	+0.370	8.94	8.96	8.92
France	7/25/04	98.0000	+0.210	8.25	8.25	8.25
Germany Bund	7/25/04	98.0000	+0.210	8.25	8.25	8.25
Ireland	8/25/04	93.4500	+0.100	6.78	6.78	6.78
Italy	8/25/04	98.0000	+0.210	8.25	8.25	8.25
Japan	9/00/04	100.1500	+0.300	8.97	9.30	9.07
No 118	4/10/04	98.2900	+0.030	4.86	4.86	4.86
No 184	7/25/04	98.0000	+0.210	8.25	8.25	8.25
Netherlands	8/25/04	98.0000	+0.210	8.25	8.25	8.25
Portugal	8/25/04	98.0000	+0.210	8.25	8.25	8.25
Spain	10/00/04	98.0000	+0.210	8.25	8.25	8.25
Sweden	6/00/04	98.0000	+0.210	8.25	8.25	8.25
UK Gilts	5/00/04	100.1500	+0.300	8.97	9.30	9.07
US Treasury*	8/00/04	100.1500	+0.300	8.97	9.30	9.07
ECU (French Govt)	6/00/04	98.0000	+0.210	8.25	8.25	8.25

London clearing, New York mid-day. *Yields: Local market standard. Yields (including withholding tax at 12.5 per cent payable by non-residents).

Prices US, UK & Italy, others in decimal. Source: IMA International

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MARKETS REPORT

Inflation optimism helps dollar make further gains

The dollar finished firmer in European trade yesterday, despite giving up some of its gains during the afternoon session, writes Philip Gauthier.

Trade was fairly subdued, with the market's attention focused on the January producer price index, which came out on Friday. The dollar finished in London at DM1.5303, up from DM1.525 on Friday. Against the yen it closed at ¥99.555, from ¥99.575.

The firmer dollar, and concerns about the progress of the annual German wage round, took some of the gloss off the D-Mark, which lost ground against most European currencies. The Swedish krona was the biggest winner, firming to SKr4.874 against the D-Mark from SKr4.804.

Sterling lost a further half cent against the dollar, after Friday's two cent fall, finishing at \$1.56 from \$1.5649. It was slightly firmer against the D-Mark, finishing at DM2.3882 from DM2.3884.

Traders said that the weak D-Mark was the feature of trading, which was very quiet in the morning. Sentiment towards the D-Mark was depressed by news of walk-outs and talk of ballooning for strike action.

The D-Mark was also vulnerable to profit-taking following the boost it received in January from safe-haven flows. Mr Steve Barrow, international economist at Chemical Bank in London said the story of the day had been D-Mark weakness, rather than dollar strength.

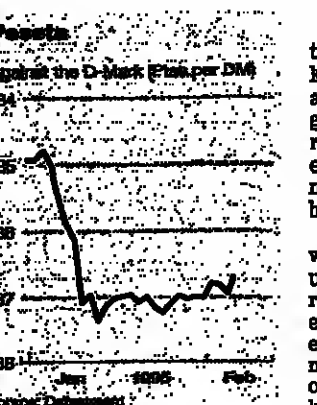
Dollar traders paid little attention to the tabling of the fiscal 1995 budget, choosing instead to focus on the quarterly Treasury refunding and the upcoming PPI figures.

Sentiment towards the dollar is currently bullish, dominated by a consensus, after last Friday's weak job report, that the US is heading for low-inflationary growth. This will help bonds, and foreign buying should boost the dollar.

Various analysts have pointed out that the dollar's recovery is vulnerable to a setback. They argue that the market is over-eager to discover a trend, with the "soft-landing" scenario far from a foregone conclusion.

By contrast with the dollar, there is currently little confidence in sterling. Mr Avinash Pareek, currency strategist at JP Morgan in London, commented: "I think the market-place is extremely bearish. There is a sense that this government could be out by the end of the year, and markets fear a Labour government."

Mr Carl Weinberger of High Frequency Economics in New York provided a foreign per-



spective on how markets might respond to Labour. "This is not the same old Labour Party, but no one knows what it is. Our experience is that investors tend to shun political experiments. We think they will continue to sell sterling as long as the risks of elections are significant. If elections are called, we think they would dump sterling."

A slightly different perspective on sterling is that the market is not so much bearish about the currency, as no longer bullish. Having failed in recent months to rally on good economic news, the market has now taken to looking at the bad news.

Mr Barrow said sterling's weakness was difficult to understand, given that it had recently successfully weathered more damaging political events. He surmised that it may have been a functioning of the positioning of the market. "There were a lot of people who, with justification, thought the pound was going to be a good buy. But it wasn't."

A senior Spanish official said the recent rise in Spanish rates had been to anticipate inflation, not to defend the peseta, as widely believed in the market.

Mr Alfredo Pastor, secretary of state at the Ministry of Eco-

nomics and Finance, commented: "The peseta has been within the 15 per cent bands since August 1993. We think it is undervalued, but there is no reason to defend it."

He predicted that inflation would fall from the second quarter, or at least the second half, of the year. On this basis, he said "We see no reason for a further hike in rates this year."

The peseta finished at Ptas6.83, from Ptas6.82, against the D-Mark.

The Bank of England provided UK money markets with £270m late assistance. Earlier it had provided £103m at the established rate of 6 per cent, after forecasting a £600m shortage.

WORLD INTEREST RATES

MONEY RATES		Over night	One month	Three months	Six months	One year	Long term	Dis. rate	Repo rate
February 6									
Belgium	4%	5%	5%	5%	6%	7.40	4.50	-	-
Denmark	4%	5%	5%	5%	6%	7.40	4.50	-	-
France	5%	5%	5%	5%	6%	5.00	-	-	-
Germany	4.85	4.85	5.05	5.25	5.70	6.00	4.50	4.85	4.85
Greece	5.55	4.85	5.05	5.25	5.70	6.00	4.50	4.85	4.85
Ireland	5%	5%	5%	5%	6%	7%	-	-	-
Italy	8%	6%	6%	6%	6%	10	7.50	8.20	8.20
Netherlands	4.84	4.84	5.10	5.30	5.70	6.00	4.50	4.85	4.85
Portugal	4.84	5.01	5.15	5.35	5.75	6.00	4.50	4.85	4.85
Spain	3%	3%	3%	3%	4%	4.25	3.50	-	-
Sweden	5%	5%	5%	5%	6%	7%	-	-	-
Switzerland	3%	3%	3%	3%	4%	4.25	3.50	-	-
UK	5%	5%	5%	5%	6%	7%	-	-	-
US	5%	5%	5%	5%	6%	7%	-	-	-
Japan	2%	2%	2%	2%	2%	2%	-	-	-
Other	2%	2%	2%	2%	2%	2%	-	-	-

LIBOR FT London									
Interbank	5%	5%	5%	5%	6%	7%	-	-	-
US Dollar	5.85	6.02	6.28	6.45	6.85	7.00	-	-	-
US Dollar	5.85	6.02	6.28	6.45	6.85	7.00	-	-	-
US Dollar	5.85	6.02	6.28	6.45	6.85	7.00	-	-	-

EURO CURRENCY INTEREST RATES									
Feb 6	Short term	7 days	One month	Three months	Six months	One year	Long term	Dis. rate	Repo rate
Belgium	5%	5%	5%	5%	6%	7%	-	-	-
Denmark	5%	5%	5%	5%	6%	7%	-	-	-
France	5%	5%	5%	5%	6%	7%	-	-	-
Germany	5%	5%	5%	5%	6%	7%	-	-	-
Greece	5%	5%	5%	5%	6%	7%	-	-	-
Ireland	5%	5%	5%	5%	6%	7%	-	-	-
Italy	5%	5%	5%	5%	6%	7%	-	-	-
Netherlands	5%	5%	5%	5%	6%	7%	-	-	-
Portugal	5%	5%	5%	5%	6%	7%	-	-	-
Spain	5%	5%	5%	5%	6%	7%	-	-	-
Sweden	5%	5%	5%	5%	6%	7%	-	-	-
Switzerland	5%	5%	5%	5%	6%	7%	-	-	-
UK	5%	5%	5%	5%	6%	7%	-	-	-
US	5%	5%	5%	5%	6%	7%	-	-	-
Japan	5%	5%	5%	5%	6%	7%	-	-	-
Other	5%	5%	5%	5%	6%	7%	-	-	-

POUND SPOT FORWARD AGAINST THE POUND

Feb 6	Closing mid-point	Change on high	Bid/offer spread	Days to settle	One month	Three months	One year	%PA
Europe								
Australia	(bids) 16.8004	-0.0072	911	16.8007	16.7088	16.7879	0.9	
Belgium	(bids) 49.1401	-0.0024	687	714	49.1413	49.0090	49.0777	1.2
Denmark	(bids) 16.8004	-0.0072	911	16.8007	16.7088	16.7879	0.9	
Finland	(bids) 7.3365	-0.0022	618	777	7.4017	7.3820	7.4000	1.2
France	(FF) 8.7769	-0.0108	735	803	8.2803	8.2494	8.2804	1.5
Germany	(DM) 2.3882	-0.0018	870	884	2.3895	2.3934	2.3934	1.5
Greece	(bids) -1.31	0.0038	696	102	1.0109	1.0109	1.0109	0.4
Ireland	(bids) 1.0094	-0.0074	956	102	1.0109	1.0109	1.0109	0.4
Italy	(bids) 25.6181	-4.38	672	100	25.6190	25.6116	25.6216	-1.7
Luxembourg	(bids) 49.1401	-0.0024	687	714	49.1413	49.0090	49.0777	1.2
Netherlands	(bids) 17.4738	-0.0022	738	816	17.4747	17.4747	17.4747	1.2
Norway	(NOK) 10.4533	-0.0182	687	585	10.4585	10.4430	10.4536	0.1
Portugal	(bids) 246.448	-0.348	202	600	246.865	246.559	247.377	-2.9
Spain	(Pes) 237.129	-0.232	204	234	237.028	236.715	237.770	-1.7
Sweden	(bids) 17.4738	-0.0022	738	816	17.4747	17.4747	17.4747	1.2
Switzerland	(SF) 2.0221	-0.0033	210	232	2.0232	2.0185	2.0184	2.8
UK	(bids) 1.2655	-0.0008	696	672	1.2672	1.2621	1.2664	0.8
US	(bids) 0.930397							
Asia/Pacific								
Australia	(bids) 1.5001	-0.0008	595	807	1.5021	1.5052		
Argentina	(Pes) 1.3057	-0.0008	597	807	1.3030	1.3016		
Brunei	(B\$) 2.1845	-0.0008	597	807	2.1845	2.1845	2.1845	-1.1
Canada	(New Pesa) 0.3225	-0.0167	800	643	0.3343	0.3237		
USA	(bids) 1.5000	-0.0049	595	805	1.5021	1.5052	1.5094	0.5
Asia/Middle East								
Australia	(bids) 0.7391	-0.0002	777	804	0.7392	0.7370	0.7391	-1.2
China	(RMB) 12.6088	-0.0011	552	845	12.6084	12.6119	12.6081	-0.1
Hong Kong	(bids) 12.6088	-0.0011	552	845	12.6084	12.6119	12.6081	-0.1
India	(bids) 48.9833	-0.1678	377	138	48.9181	48.7800		
Japan	(bids) 4.7131	-0.0047	1077	826	4.7116	4.8864		
Malaysia	(bids) 154.294	-0.0008	595	807	154.294	154.294	154.294	4.1
New Zealand	(bids) 1.5000	-0.0012	614	855	1.5021	1.5052	1.5094	0.5
Philippines	(bids) 2.4655	-0.0073	633	676	2.4676	2.4682	2.4688	-1.6
Singapore	(bids) 36.6880	-0.1208	974	748	36.7784	36.6876		
South Africa	(bids) 2.2800	-0.0012	794	815	2.2815	2.2772		
South Korea	(bids) 5.5988	-0.0144	339	398	5.6044	5.5903		
Sri Lanka	(bids) 6.2977	-0.0539	801	193	6.3316	6.2801		
Taiwan	(bids) 1283.98	-7.87	835	224	1283.93	1283.92		
Thailand	(bids) 36.1092	-0.108	811	373	36.1700	36.0980		

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Rate	One year Rate	Bank of Japan Index	Feb 6	Closing mid-point	Change on high	Days to settle
Australia	1.1	-	105.5	Europe		
Belgium	1.3	107.2		Austria (Sch)	10.7885	+0.015 670
Denmark	0.8	105.5		Belgium (Bfr)	31.5000	+0.165 800
France	1.0	107.2		Canada (C\$)	8.0300	+0.007 305
Germany	1.0	107.2		Denmark (DKr)	1.1000	+0.002 000
Greece	1.6	109.2		France (FFr)	53.0000	+0.009 002
Ireland	0.8	97.1		Germany (DM)	1.8300	+0.009 300
Italy	0.2	97.1		Greece (Dr)	228.1000	+0.001 500
Japan	0.1	97.1		India (Rs)	1.5450	-0.027 448
Netherlands	0.2	97.1		Israel (L)	1614.30	+0.280 280
Portugal	0.2	97.1		Luxembourg (Lfr)	31.5000	+0.165 800
Spain	1.3	107.2		Netherlands (Gld)	1.1000	+0.002 000
Sweden	0.8	97.1		Norway (Nkr)	70.0000	+0.002 000
Switzerland	0.8	97.1		Portugal (Esc)	157.9800	+0.230 990
UK	1.3	107.2		Spain (Ptas)	132.7750	+0.170 720
US	1.3	107.2		Sweden (Skr)	7.3750	+0.007 875
Other	0.8	97.1		Switzerland (Sfr)	2.9900	+0.001 500
Other	0.8	97.1		UK (£)	1.5800	-0.004 895
Other	0.8	97.1		US (\$)	1.2316	-0.00032 315
Other	0.8	97.1		Other	1.49589	
Other	0.8	97.1		Americas		
Other	0.8	97.1		Argentina (Peso)	1.0000	-0.0005 000
Other	0.8	97.1		Brazil (C)	0.8271	-0.002 380
Other	0.8	97.1		Canada (C\$)	1.3070	+0.001 075
Other	0.8	97.1		Mexico (New Pes)	5.3350	-0.100 100
Other	0.8	97.1		USA (\$)		
Other	0.8	97.1		Pacific/Islands/East Africa		
Other	0.8	97.1		Australia (A\$)	1.3358	+0.004 823
Other	0.8	97.1		Canada (C\$)	7.7300	-0.0002 302
Other	0.8	97.1		Hong Kong	1.3675	+0.001 650
Other	0.8	97.1		India (Rupee)	21.3200	+0.0098 197
Other	0.8	97.1		Japan (Yen)	99.2550	-0.30 300
Other	0.8	97.1		Malaysia (Ringgit)	1.5000	+0.0002 000
Other	0.8	97.1		New Zealand (NZ\$)	1.5800	+0.0098 795
Other	0.8	97.1		Philippines (Peso)	24.9000	0.000 500
Other	0.8	97.1		Saudi Arabia (Riyal)	2.6700	+0.0002 000
Other	0.8	97.1		South Africa (Rand)	1.4616	+0.0032 150
Other	0.8	97.1		S Africa (Corn)	3.5498	+0.002 495
Other	0.8	97.1		S Africa (Fin)	4.0370	+0.023 270
Other	0.8	97.1		South Korea (Won)	701.0000	+0.25 800
Other	0.8	97.1		Taiwan (NT\$)	90.2070	+0.001 000
Other	0.8	97.1		Thailand (Baht)	25.0700	+0.001 900

1500 rate is for Feb 2, corrected 1000 rate for Jan 26 but is not directly comparable to the 1500 rate for Feb 2. See average 1000 rate for Jan 26.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES									
Feb 6	SPY	DM	FF	DM	FF	DM	FF	DM	FF
Belgium	(B) 100	18.15	10.94	4.890	2.083	5124	5.448	211	21.00
Denmark	(D) 522.22	10	8.795	2.536	1.072	2678	2.845	11	24.11
France	(F) 59.38	11.57	10	2.885	1.122	9045	3.235	12	21.81
Germany	(G) 20.58	3.941	3.468	1	0.263	1054	1.121	4.42	4.42
Greece	(G) 9.329	1.000	1.000	2.957	1.000	2.957	2.957	1.000	1.000
Ireland	(I) 1.952	3.724	0.329	0.095	0.040	100	1.000	0.04	0.04
Italy	(I) 18.36	3.515	0.382	0.882	0.357	940.6	1	0.35	0.35
Netherlands	(N) 47.02	0.905	0.905	2.285	0.985	2.285	2.285	0.985	0.985
Portugal	(P) 3.815	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Spain	(S) 23.73	4.554	3.996	0.1153	0.487	1222	1.038	4.42	4.42
Sweden	(S) 42.22	0.804	0.710	2.032	0.857	2.032	2.032	0.857	0.857
Switzerland	(S) 84.50	4.254	4.254	1.416	0.263	1.416	1.416	0.263	0.263
UK	(U) 1.416	8.712	2.388	1.000	0.2516	2.577	1.000	0.2516	0.2516
US	(U) 32.64	3.517	3.798	1.005	1.055	1.122	1.122	1.055	1.055
Canada	(C) 31.50	0.032	0.032	1.591	0.647	1814	1.716	0.647	0.647
Japan	(J) 31.72	0.075	0.075	0.443	0.062	1.069	1.723	0.062	0.062
Other	(O) 7.453	0.537	1.890	0.797	1.890	2.115	8.21	0.797	0.797

Source: Reuters, London, Feb. 6, 1984. DM = Deutsche Mark, FF = French Franc, B = Belgian Franc, D = Danish Kroner, N = Norwegian Kroner, and S = Swedish Kroner.

STERLING FUTURES (GBP) DM 125,000 per DM

Feb 6	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	0.6554	0.6555	-0.0001	0.6554	0.6552	41,890	61,439
Jun	0.6558	0.6545	-0.0013	0.6558	0.6545	29	3,380
Sep	0.6575	0.6575	0.0000	0.6575	0.6575	270	673

UK INTEREST RATES

LONDON MONEY RATES									
Feb 6	Over night	7 days	One month	Three months	Six months	One year	Long term	Dis. rate	Repo rate
Interbank	7%	6%	6%	6%	7%	7%	-	-	-
Bank	7%	6%	6%	6%	7%	7%	-	-	-
Local authority	6%	6%	6%	6%	7%	7%	-	-	-
Discount	7%	6%	6%	6%	7%	7%	-	-	-

EUROPEAN CURRENCY UNIT RATES

Feb 6	Rate	Change on day	% chg on 10 day	% spread	Div. ind.
Netherlands	2.18722	-0.00047	-0.021	10.24	-
Belgium	2.18722	-0.00047	-0.021	10.24	-
Denmark	2.18722	-0.00047	-0.021	10.24	-

INVESTMENT TRUSTS - Cont.

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TRANSPORT - Cont

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Notes		Price
Anglo	1/16	


- ❖ Symbols referring to different states of the market are indicated by the following guide to signals and P/E ratios. The symbols are used in the following way:
- Market capitalization shown is calculated as follows:
- Estimated price/earnings ratios are calculated on an "as is" basis, including on profit after taxation, excluding the ACT where applicable. The ACT is a tax concession for companies with less than \$20 million in taxable income and rights.
- Estimated Net Asset Values (NAV) are shown per share, along with the price (P) to the current closing share price. The difference between the NAV and the share price, expressed as a percentage, is the discount or premium.
- ❑ Indicates the most actively traded company in the sector.
- Indicates the most significant price/earnings ratio in the sector.
- Stock Exchange Australia (ASX) listing code.
- Studies through the ASX100 Index.
- High and low ranked stars.
- Change in share price.
- Interest shown increased or not.
- Information easily reduced, possible.
- Figure of report available.
- Rule 2 (Vol) Dismissed Minority.
- Five annual/interim report as per ASX.
- USAR not listed on Stock Exchange.

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Setting Price	Display Price	• W	Value Price
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LONDON STOCK EXCHANGE

MARKET REPORT

Early advance cut back by political concerns

By Terry Byland,
UK Stock Market Editor

A slow undertow of political worries restrained the UK stock market yesterday, preventing it from joining fully in the positive response by other European and Far Eastern markets to Wall Street's strong rise ahead of the weekend. A firm start, which saw the FT-SE 100-share index gain more than 15 points, was soon lost as sterling and government bonds edged away from perceived political pressures on the Uster and European policies of Mr John Major's government.

But traders stressed that underly-

ing confidence remained good and that there was little significant selling pressure. Equity analysts played down the political concerns, which had surfaced in the foreign exchange markets, and were regarded in the stock market as "premature".

Kleinwort Benson, the UK merchant banking and securities house, is convinced that political worries are overdone and that the stock market is poised for a rise of 5 to 10 per cent over the next two months.

Market strategists kept their eyes on the latest developments in the US economy, believing that the employment data announced on Friday implied that economic growth

was under control and that the peak of the interest rate cycle might be close at hand.

Wall Street made a more muted start to the new trading session, showing a gain of only one Dow point in London hours. The final reading on the FT-SE 100 index, at 3,082, represented a gain on the day of 23 points.

Trading volume also died away somewhat in the absence of new developments on the takeover scene, which has provided the drive behind the Footsie's confident advance from the 3,000 mark.

Seal volumes of 420.6m shares yesterday compared with 516.3m on Friday. Once again, Friday's retail

business level of £2.3bn - well within the range associated with bull markets - was boosted by activity in specific corporate situations rather than spread across the marketplace.

The brighter tone of the market was reflected in a better performance from the FT-SE Mid 250 index, which takes in a range of second line issues. The 250 index put on 5.6 at 3,365.6, outperforming the FT-SE 100-share index for the first time in many weeks.

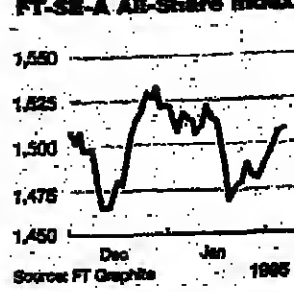
The 59m-plus bid saga in the pharmaceuticals continued to loom over the market as investors waited for Glaxo to unveil its formal offer for Wellcome at the end of the

week. Hints in the UK press last weekend that Pfizer, of the US, might come to Wellcome's rescue found a mixed response in the market; drug sector specialists continued to doubt Wellcome's chances of finding a rival 59m suitor.

Towards the close of trading, British government bonds rallied from early falls, and analysts commented that this could set the tone for this morning's opening in the equity market. But the overriding factor behind London is likely to be the progress of New York stocks.

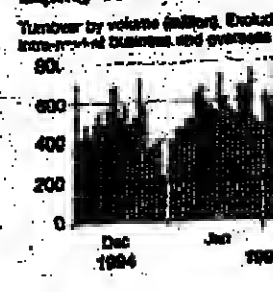
This week offers a relatively light calendar of economic data. Analysts are focusing on the US producer price statistics, due on Friday.

FT-SE-A All-Share Index



Source: FT Graphs

Equity Shares Traded



Turnover by volume (million). Excluding money market, government and preference shares

Indices and ratios

Index	Value	Change
FT-SE 100	3082.0	+23
FT-SE Mid 250	3365.6	+5.6
FT-SE-A All-Share	1508.21	+1.4
FT-SE-A All-Share yield	4.07	+0.01

Best performing sectors

Sector	Change
1. Chemicals	+1.1
2. Building Mats	+0.7
3. Telecommunications	+0.7
4. Other Ser & Bus	+0.6
5. Media	+0.5

Worst performing sectors

Sector	Change
1. Extractive Inds	-1.0
2. Gas Distribution	-0.8
3. Banks, Merchant	-0.8
4. Distributors	-0.6
5. Property	-0.5

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LFFE) £25 per full index point

Month	Open	Sett	Change	High	Low	Est. vol	Open
Mar	3077.0	3082.0	+5.0	3083.0	3071.0	8300	3082.0
Jun	3079.0	3078.5	-0.5	3079.0	3073.0	3	3080.0
Sep	3102.5	-	-	-	-	6	31

FT-SE MID 250 INDEX FUTURES (LFFE) £10 per full index point

Month	Open	Sett	Change	High	Low	Est. vol	Open
Mar	3405.0	3365.6	-10.0	3405.0	3405.0	11	4044

FT-SE 100 INDEX OPTION (LFFE) £100 per full index point

Month	Open	Sett	Change	High	Low	Est. vol	Open
Mar	3077.0	3082.0	+5.0	3083.0	3071.0	8300	3082.0
Jun	3079.0	3078.5	-0.5	3079.0	3073.0	3	3080.0
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New bid alert in Recs

Yorkshire Electricity outpaced the rest of the regional electricity stocks, with dealers taking the view that the long-moribund bid for the group could be imminent.

Along with Northern Electric, for which Trafalgar House

صبرنا من الاجل

★ TOKYO - MOST ACTIVE STOCKS: Monday, February 5, 1995							
	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Penta Const.	10.2m	397	+32	Aidai Corp.	6.9m	649	+2
Fujio Const.	10.2m	1,360	+40	Nishiki Corp.	5.0m	855	+4
Mitsui Co.	8.3m	780	-4	NEC Corp.	4.0m	870	-1
Sunimoto Const.	7.2m	775	+14	Dabini Corp.	3.6m	1080	-1
Toyo Const.	7.2m	779	+12	Terumo Corp.	3.6m	830	+1

pm close February 6

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NYSE COMPOSITE PRICES

4 pm close February 6

Stock	High	Low	Open	Close	Change
3M	100.00	99.00	99.50	99.50	+0.50
4M	100.00	99.00	99.50	99.50	+0.50
5M	100.00	99.00	99.50	99.50	+0.50
6M	100.00	99.00	99.50	99.50	+0.50
7M	100.00	99.00	99.50	99.50	+0.50
8M	100.00	99.00	99.50	99.50	+0.50
9M	100.00	99.00	99.50	99.50	+0.50
10M	100.00	99.00	99.50	99.50	+0.50
11M	100.00	99.00	99.50	99.50	+0.50
12M	100.00	99.00	99.50	99.50	+0.50

Stock	High	Low	Open	Close	Change
13M	100.00	99.00	99.50	99.50	+0.50
14M	100.00	99.00	99.50	99.50	+0.50
15M	100.00	99.00	99.50	99.50	+0.50
16M	100.00	99.00	99.50	99.50	+0.50
17M	100.00	99.00	99.50	99.50	+0.50
18M	100.00	99.00	99.50	99.50	+0.50
19M	100.00	99.00	99.50	99.50	+0.50
20M	100.00	99.00	99.50	99.50	+0.50
21M	100.00	99.00	99.50	99.50	+0.50
22M	100.00	99.00	99.50	99.50	+0.50

Stock	High	Low	Open	Close	Change
23M	100.00	99.00	99.50	99.50	+0.50
24M	100.00	99.00	99.50	99.50	+0.50
25M	100.00	99.00	99.50	99.50	+0.50
26M	100.00	99.00	99.50	99.50	+0.50
27M	100.00	99.00	99.50	99.50	+0.50
28M	100.00	99.00	99.50	99.50	+0.50
29M	100.00	99.00	99.50	99.50	+0.50
30M	100.00	99.00	99.50	99.50	+0.50
31M	100.00	99.00	99.50	99.50	+0.50
32M	100.00	99.00	99.50	99.50	+0.50

Stock	High	Low	Open	Close	Change
33M	100.00	99.00	99.50	99.50	+0.50
34M	100.00	99.00	99.50	99.50	+0.50
35M	100.00	99.00	99.50	99.50	+0.50
36M	100.00	99.00	99.50	99.50	+0.50
37M	100.00	99.00	99.50	99.50	+0.50
38M	100.00	99.00	99.50	99.50	+0.50
39M	100.00	99.00	99.50	99.50	+0.50
40M	100.00	99.00	99.50	99.50	+0.50
41M	100.00	99.00	99.50	99.50	+0.50
42M	100.00	99.00	99.50	99.50	+0.50

Stock	High	Low	Open	Close	Change
43M	100.00	99.00	99.50	99.50	+0.50
44M	100.00	99.00	99.50	99.50	+0.50
45M	100.00	99.00	99.50	99.50	+0.50
46M	100.00	99.00	99.50	99.50	+0.50
47M	100.00	99.00	99.50	99.50	+0.50
48M	100.00	99.00	99.50	99.50	+0.50
49M	100.00	99.00	99.50	99.50	+0.50
50M	100.00	99.00	99.50	99.50	+0.50
51M	100.00	99.00	99.50	99.50	+0.50
52M	100.00	99.00	99.50	99.50	+0.50

Stock	High	Low	Open	Close	Change
53M	100.00	99.00	99.50	99.50	+0.50
54M	100.00	99.00	99.50	99.50	+0.50
55M	100.00	99.00	99.50	99.50	+0.50
56M	100.00	99.00	99.50	99.50	+0.50
57M	100.00	99.00	99.50	99.50	+0.50
58M	100.00	99.00	99.50	99.50	+0.50
59M	100.00	99.00	99.50	99.50	+0.50
60M	100.00	99.00	99.50	99.50	+0.50
61M	100.00	99.00	99.50	99.50	+0.50
62M	100.00	99.00	99.50	99.50	+0.50

AMEX COMPOSITE PRICES

4 pm close February 6

Stock	High	Low	Open	Close	Change
3M	100.00	99.00	99.50	99.50	+0.50
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28M	100.00	99.00	99.50	99.50	+0.50
29M	100.00	99.00	99.50	99.50	+0.50
30M	100.00	99.00	99.50	99.50	+0.50
31M	100.00	99.00	99.50	99.50	+0.50
32M	100.00	99.00	99.50	99.50	+0.50

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54M	100.00	99.00	99.50	99.50	+0.50
55M	100.00	99.00	99.50	99.50	+0.50
56M	100.00	99.00	99.50	99.50	+0.50
57M	100.00	99.00	99.50	99.50	+0.50
58M	100.00	99.00	99.50	99.50	+0.50
59M	100.00	99.00	99.50	99.50	+0.50
60M	100.00	99.00	99.50	99.50	+0.50
61M	100.00	99.00	99.50	99.50	+0.50
62M	100.00	99.00	99.50	99.50	+0.50

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Financial Times. World Business Newspaper.

NASDAQ NATIONAL MARKET

4 pm close February 6

Stock	High	Low	Open	Close	Change
3M	100.00	99.00	99.50	99.50	+0.50
4M	100.00	99.00	99.50	99.50	+0.50
5M	100.00	99.00	99.50	99.50	+0.50
6M	100.00	99.00	99.50	99.50	+0.50
7M	100.00	99.00	99.50	99.50	+0.50
8M	100.00	99.00	99.50	99.50	+0.50
9M	100.00	99.00	99.50	99.50	+0.50
10M	100.00	99.00	99.50	99.50	+0.50
11M	100.00	99.00	99.50	99.50	+0.50
12M	100.00	99.00	99.50	99.50	+0.50

Stock	High	Low	Open	Close	Change
13M	100.00	99.00	99.50	99.50	+0.50
14M	100.00	99.00	99.50	99.50	+0.50
15M	100.00	99.00	99.50	99.50	+0.50
16M	100.00	99.00	99.50	99.50	+0.50
17M	100.00	99.00	99.50	99.50	+0.50
18M	100.00	99.00	99.50	99.50	+0.50
19M	100.00	99.00	99.50	99.50	+0.50
20M	100.00	99.00	99.50	99.50	+0.50
21M	100.00	99.00	99.50	99.50	+0.50
22M	100.00	99.00	99.50	99.50	+0.50

Stock	High	Low	Open	Close	Change
23M	100.00	99.00	99.50	99.50	+0.50
24M	100.00	99.00	99.50	99.50	+0.50
25M	100.00	99.00	99.50	99.50	+0.50
26M	100.00	99.00	99.50	99.50	+0.50
27M	100.00	99.00	99.50	99.50	+0.50
28M	100.00	99.00	99.50	99.50	+0.50
29M	100.00	99.00	99.50	99.50	+0.50
30M	100.00	99.00	99.50	99.50	+0.50
31M	100.00	99.00	99.50	99.50	+0.50
32M	100.00	99.00	99.50	99.50	+0.50

US stocks steady at midsession

Wall Street

US shares were steady yesterday morning, near the highs achieved after Friday's buying spree, writes Lisa Branstetter in New York.

At 1 pm the Dow Jones Industrial Average was up 3.02 at 3,961.68. The Standard & Poor's 500 climbed 1.33 at 479.98, and the American Stock Exchange composite rose 0.37 to 443.80. The Nasdaq composite gained 4.68 at 778.74. Volume on the NYSE was 178m shares.

Friday brought industrial shares close to the barrier of 4,000 in intraday trading as shares rose more than 70 points before falling back by the close to end nearly 60 points. Yesterday morning, however, traders found insufficient momentum to stage another rally.

The Dow was also held back by cyclical shares, which are overweighted in the index and did not advance by as much as consumer shares. Among the weakest issues in the Dow was Aluminum Company of America, which lost 3 3/4% at \$90.

Shares on the Nasdaq jumped more than 0.6 per cent led by a soaring bank issue and gains in parts of the technology sector.

Michigan National, posted the largest gain on the Nasdaq. Shares in the US-based bank were up 3 1/2% at \$101.10 on news that National Australia Bank would purchase it for \$1.56bn or \$110 per share.

Harley Davidson, the motorcycle manufacturer lost 5 1/4% at \$25.40 after the chief executive said that this year's operating margins might fall below the 14.1 per cent recorded in 1994. Procter & Gamble put on \$1 1/4% at \$66 1/2 after the consumer

goods company amended a suit against Bankers Trust to include a second derivatives transaction that the bank had carried out on its behalf. The new complaint was to be added to a suit filed by Procter & Gamble against Bankers Trust last October. Bankers Trust was unchanged at \$64.

Kellogg gained 3 1/4% at \$54 1/4 after the food company said it planned to cut 300 to 350 jobs as part of a plan to boost productivity. E.J. Heintz lost 1 1/4% at \$36 1/4 after announcing that it would buy US pet food operations from Quaker Oats. Quaker rose 3/4% to \$34.

Canada

Toronto was easier at midday as trade remained light. The TSE 300 composite index declined 4.84 to 4,100.21 in turnover of C\$36.1m.

The metals and minerals index was off 121.68 at 3,961.82 and gold off 49.65 at 3,584.32.

Mexico

Mexican shares were lower in late morning trade as investors prepared themselves for what are expected to be disappointing 1994 company earnings reports. The IPC index was 28.48 or 1.5 per cent down at 1,927.75 in volume of 14.3m shares.

Brazil

Sao Paulo was 2.1 per cent down to 2,519.20 after a day of early afternoon trade as the market continued to focus on government talks with political party leaders on President Fernando Henrique Cardoso's charter reform proposals, which will be sent to congress on February 16.

The Bovespa index was 812 weaker at 38,632.

EUROPE

Interest rate hopes provide support for bourses

Continental bourses took the view that the long-running round of US interest rate increases could be over, writes Our Markets Staff.

PARIS built on Friday's rise, with the CAC 40 index finishing 28.68 or 1.6 per cent ahead at 1,872.11. Turnover was some FF\$3.6bn.

Eridania Béghin-Say, the food and sugar group, up FF736 or 5 per cent to FF7782, but off a high of FF7788, was supported by weekend comments that IRI, of Italy, might mount a bid if Montedison were to dispose of its stake.

Financial issues had a good run: Banceiro rose FF116 to FF497.50, and UAP FF5 or 4 per cent to FF130.53 in spite of noting that 1994 earnings would not reach an earlier target of 30 per cent growth. Brokers said that this news had already been discounted.

Pinaut-Printemps-Redoute improved FF736 or 3.5 per cent to FF710.15 after reporting estimated 1994 profits of some FF1.9bn, more than double the figure in 1993.

FRANKFURT maintained its momentum, and the Dax index closed with an advance of 11.70 or 1.5 per cent at 4,089.89 in turnover of DM\$2.2bn.

The Dax indicative index finished at 2,085.08.

Chemicals maintained strength, and improved in late trading on institutional interest, with BASF up DM10.30 at DM330.50, Bayer ahead DM8.10 to DM364.10 and Hoechst DM6.40 up at DM328.80.

In the automotive sector, Continental was DM2.30 higher at DM230.80. As Lehman Brothers turned positive on the tyre sector, Mr Chris Will, who raised his rating on Michelin as well, said the industry would benefit from capacity shortages enabling it to lift prices. Benefite would also flow from strength in the replacement tyre area, which accounted for some 80 per cent of revenue.

ZURICH was lifted by the dollar's continued strength, firmer bonds and gains on other European bourses, and the SMI index moved up 22.0 or 1.2 per cent to 2,621.4.

The drugs sector continued to benefit from recent buy recommendations with Roche certificates rising SF135 to SF167.50. Ciba gained SF17 at SF783 and Sandoz added SF18 at SF781.

Among cyclical, Alusuisse rose SF3 to SF763 after Fri-

FT-SE Actuaries Share Indices

Feb 8		THE EUROPEAN SERIES									
Monthly changes		10.30	11.00	12.00	13.00	14.00	15.00				
FT-SE European 100	1336.72	1335.01	1335.75	1335.45	1336.83	1338.54	1334.40	1338.26			1338.26
FT-SE European 200	1393.41	1393.14	1393.43	1393.57	1394.11	1392.82	1395.04	1395.17			
Feb 8											
FT-SE European 100	1334.25		1312.58		1312.47		1297.31				1304.40
FT-SE European 200	1395.04		1378.15		1373.89		1363.04				1363.04
Index 1000 = 100/1000; High/Low: 100 = 1336.72; 200 = 1393.41; Low/Low: 100 = 1335.01; 200 = 1392.82; 1 Feb 8											